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*For further details on any information presented here you can contact:*

Civil Society Outreach, UNCTAD  
Palais des Nations  
8-14 avenue de la Paix,  
1211 Genève 10 - Switzerland

Tel.: (41 22) 917 50 48 /  
917 56 61 / 917 20 89

Fax: (41 22) 917 00 56

E-mail: [civil.society@unctad.org](mailto:civil.society@unctad.org)

## RECENT AND UPCOMING EVENTS

### Hearing with civil society institutionalized

On 4 October, UNCTAD's Trade and Development Board held a half-day informal hearing with representatives from civil society and the private sector, giving them the opportunity to express their views on issues before the Board. This is in accordance with paragraph 117 of the São Paulo Consensus and is the first time UNCTAD has institutionalized such hearings.

The meeting was attended by member States, civil society organizations and the private sector and was chaired by Love Mtesa, Ambassador of Zambia and Vice-President of the Board.

In their opening remarks, the Ambassador of Zambia and the Officer-in-Charge of UNCTAD, Carlos Fortin, welcomed UNCTAD's continued cooperation with civil society and the private sector and called the Board's attention to the importance of encouraging and supporting financially the participation of civil society representatives from developing countries.

Civil society actors underscored the importance of commodity issues for developing countries and welcomed the decision by UNCTAD XI to create an International Task Force on Commodities. Participants also referred to the event on Gender and Trade at the conference and called for a proactive approach to follow up on the successful event and to mainstream gender into the current work of UNCTAD. Furthermore, a call was made for the systematic gender disaggregation of all UNCTAD statistics.

Regarding trade liberalization, speakers stressed that an appropriate trade and development policy should envisage gradual trade liberalization and that UNCTAD had usefully pioneered such an orientation in trade policy and trade liberalization through both research and empirical evidence. They added that UNCTAD should continue its assistance in fostering South-South trade. They reiterated the need for policy space for governments and highlighted the factors that are hindering LDCs and Africa in general from integrating substantially into global trade.

Reference was also made to the "WTO July package" and the emergence of "positive signs" and "worrying trends". The contribution of UNCTAD, as a competent and reliable partner, in the follow-up to the implementation of the Millennium Development Goals was also highlighted.

*At an informal UNCTAD-civil society meeting on the morning of 4 October, civil society representatives had an opportunity to exchange views on issues to be discussed at the hearing. They suggested that, in the future, regular consultations be held with the UNCTAD secretariat.*

## Fifty-first session of the Trade and Development Board

The Board held its annual session from 4 to 15 October in Geneva and discussed the following issues:

**UNCTAD and the Doha Round:** The Board conducted a review of developments and issues in the post-Doha programme of particular concern to developing countries. Carlos Fortin, Officer-in-Charge of UNCTAD, said that UNCTAD has endeavored to play an active, supportive role in making the development promise of Doha a reality. A decision to restart negotiations was reached last July, shortly after UNCTAD XI, following the collapse of the Doha Round of trade talks at the WTO's Ministerial Conference in Cancún.

"We acknowledge the spirit of goodwill surrounding UNCTAD XI in São Paulo and agree that this goodwill contributed to the subsequent consensus on the frameworks contained in the July package", stated Nancy Adams of the United States.

Given the political will, the international trading system and trade negotiations can deliver meaningful and substantial development gains by effectively addressing key issues of the Doha Round, said Lakshmi Puri, Director of UNCTAD's Division on International Trade in Goods and Services, and Commodities.

In its review of the post-Doha work programme, the Board had before it a note prepared by the UNCTAD secretariat that provides a development perspective on key issues and on the July package.

Participating in the discussions, WTO Director-General Supachai Panitchpakdi said he agreed with UNCTAD's assessment of the July package in that it reaffirmed the value of multilateralism, re-established the viability of the Doha Round, reconfirmed the centrality of development concerns and recommitted WTO members to fulfilling the development dimension. It also helped to "reduce uncertainty in the multilateral trading system" and calmed "protectionist fears".

A major focus of the discussions was to identify and elaborate on the development dimensions of different elements of the July package. These include agriculture, non-agriculture market access, services, trade facilitation and development issues. Other issues were also taken up, including the implications of the expiry of the WTO Agreement on Textiles and Clothing at the end of this year. It was noted that the July package was not the end of negotiations but marked the beginning of a "new and challenging" stage of the Doha Round that would focus on "details, specifics and concrete formulae and numbers relating to modalities and market access conditions".

UNCTAD played a particularly important role in that regard by supporting developing countries in their participation in trade and trade negotiations. It was important to ensure that the development promises of Doha would be delivered effectively.

*The High-Level Segment and a new trade geography:* South-South cooperation on trade is aimed at removing distortions in the world market in order to facilitate South-South exchanges, and not at dictating to the market, Carlos Fortin, Officer-in-Charge of UNCTAD, told the Trade and Development Board. This year the Board is taking a close look at new developments in international economic relations and their policy implications, particularly in the light of UNCTAD XI, which took place in São Paulo last June.

A note by the secretariat, "Follow-Up to UNCTAD XI: New developments in International Economic Relations", served as the basis for discussion during a daylong segment on 5 October. The note highlights the emergence of a new geography of trade in which the countries of the South are increasingly moving from the periphery towards the centre of world trade and investment. This would enable developing countries to become a real engine of sustained growth and to diversify their economies, generate employment and reduce poverty, both at home and elsewhere.

Some speakers, however, warned that the new trade dynamism in the South appeared to be largely unsupported by significant increases in investment or other resource flows, and that most export and investment growth in the South was concentrated in just a few developing countries. Some of the recent gains, they suggested, might prove to be fragile and shallow.

One question addressed by the session was how the international community could work together to ensure that the emerging international economic geography benefited all countries and peoples, particularly the poor and women. Development solidarity in favour of the South on the part of governments, global corporations and other actors in the North was considered important in that regard. Official development assistance, national policy space and corporate responsibility are among the issues that were highlighted at this segment.

*Africa and LDCs - two major issues debated by the Board:* The Board dedicated three entire days to a comprehensive treatment of these two cross-cutting issues. Four key elements for defining the parameters of the work to be done were identified:

- the importance of building productive capacities in developing countries and ensuring development gains from trade
- the notion that trade is not an end in itself but a means to growth and development
- the need for developing countries to enjoy some flexibility in the choice of policies, so that their developmental efforts are not hindered by international obligations unsuited to their development and income levels
- the identification of specific areas of activity in which UNCTAD could enhance its role in promoting the beneficial integration of developing countries into the international economic system.

*Economic development in Africa: Issues relating to Africa's debt sustainability*

For the first time, the Board considered the issue of the total cancellation of Africa's debt. UNCTAD's report on African debt pointed out that many African nations were still suffering from a heavy debt burden, including even those countries that had benefited from the Heavily Indebted Poor Countries (HIPC) Initiative. The African continent was the only one where poverty was actually increasing. The debt burden was a major obstacle for these countries, making it difficult to attract the productive investments needed for them to escape the poverty trap.

The political movement emerging in favour of cancelling this unsustainable debt was very encouraging, speakers said. However, it should be accompanied by measures on behalf of African development that would guarantee better access to international markets, by an end to agricultural subsidies and by accelerated capacity building. More capital flows should be directed to Africa. Equally important is the third negotiating round on the Global System of Trade Preferences among Developing Countries (GSTP), launched at São Paulo, which holds great potential for expanding South-South trade.

Furthermore, it was agreed that UNCTAD should, within its mandate, continue to provide analysis and policy advice on African development and to support African countries in their endeavour to implement the programmes of NEPAD (for example, the African Peer Review Mechanism of the New Partnership for Africa's Development to promote good governance, including the adoption of prudent debt management systems) and to attain the international development goals, including those contained in the Millennium Declaration.

In its conclusions, the Board also stressed that debt sustainability depended on a wide range of variables and that debt sustainability analyses should therefore incorporate a comprehensive set of variables, including country-specific factors and vulnerabilities. It underscored the need for an assessment of debt sustainability by an independent panel of experts.

*A Panel of Experts on debt and development in Africa was held with the participation of panellists from civil society. The aim of this meeting was to generate an open and informal discussion on issues of current relevance to policy makers. Participants stressed that debt cancellation should be considered in the context of the continent's development. The recent announcement by the Government of the United Kingdom that it would pay 10 per cent of the debt service for eligible poor countries was highlighted.*

*LDCs: A need to be part and parcel of world trade:* UNCTAD's Least Developed Countries Report 2004, which served as the background document for the session on LDCs, put the development of trade and poverty reduction in the LDCs into perspective. In reviewing the report, the Board stressed the urgent need to adopt development strategies that responded to the development needs of the LDCs. Increased international trade flows could enable economic development in these countries, it said, but such flows should be combined with other factors, including the effective development and use of productive capacities to transform the vicious circle of the poverty trap into a virtuous circle leading to the promotion of economic and human development in the world's 50 poorest countries.

The majority of speakers agreed that concerted action by the international community was required. Since the creation by the United Nations of the LDC category in 1971, the number of LDCs had grown from the original 25 to 50 by 2004. If current economic trends continued, only 11 of them would achieve the Millennium Development Goal of reducing poverty by half by 2015. The international community had both a moral and an ethical responsibility to reverse those trends and redress existing imperfections in the world economic order, as the LDCs were still marginal players in the world economic system.

At the same time, the Board stressed the need for sufficient national policy space in which LDCs could implement the structural changes needed to integrate further into the international trading system and ensure development gains. Within that context it was also important to find a solution to the question of commodity prices and implications for debt servicing. Most participants agreed that the financial and human resources available for UNCTAD's Special Programme for Least Developed, Landlocked and Island Developing Countries should be increased if it was to contribute effectively to the implementation of the Programme of Action for the LDCs adopted in Brussels in 2001 and help the LDCs meet the Millennium Development Goals, particularly the poverty reduction target. More emphasis was also needed on trade between LDCs and other developing countries, given the growing importance of South-South trade.

A number of success stories were cited during an informal panel discussion attended by several civil society representatives. Among the conclusions on how best to replicate these successes was that cooperation between the public and private sectors was needed to build sufficient production capacity to meet clearly identified sources of demand in international markets.

## UNCTAD helps countries increase their FDI

UNCTAD conducts workshops for diplomats on FDI promotion and facilitation as part of a technical cooperation programme that has already trained diplomats from Africa, Asia and Latin America. Recently, the Foreign Affairs Ministries of Nicaragua and Peru decided to enrol in these workshops.

Building on the investment policy review of Peru carried out by UNCTAD in 2000, the workshop focuses on the development of investment promotion strategies for Peru's various regions and assistance to the national investment promotion agency, Proinversión, through training and the development of Internet-based investment promotion tools. The workshop draws on experiences gleaned from UNCTAD's technical cooperation programme in both inward and outward investment promotion, including its training courses for investment promotion officials, and on the organization's analytical work on investment issues. Special attention has been devoted to improving the functioning of subnational investment promotion agencies.

Attracting more FDI has become a high priority for the Government of Nicaragua in its economic development efforts. With UNCTAD's advice, the Nicaraguan Foreign Service will play a key role in reaching new potential investors and facilitating investment projects.

A new unit in the Foreign Affairs Ministry will coordinate a comprehensive capacity-building programme with UNCTAD's help. The programme will train officials from the Ministry and diplomats posted abroad.

The goal of these workshops is to increase FDI inflows in these countries. For instance, according to UNCTAD's World Investment Report 2004, last year Nicaragua and Peru respectively attracted \$200 million and \$1.38 billion in FDI. The FDI gap between these two Latin American countries shows that FDI is not driven by a region's characteristics but by each country's characteristics.

## Expert Meeting debates good governance in investment promotion

Focusing on country experiences, international experts and government representatives meeting from 1 to 3 November examined the question of what constitutes good governance in investment promotion through transparency, predictability, accountability and the degree of participation. They also studied how public governance could be improved (especially in developing countries) and the increasing importance of corporate governance. Special attention was given to the role of national investment promotion agencies in improving governance in the public and private sectors.

The meeting led the experts to a series of suggestions, including the following:

- UNCTAD should continue to support host country governments, through its GGIP programme, including through capacity building in IPAs, and in evaluating the impact of its technical cooperation activities on host countries' investment environment and on actual changes in FDI.
- IPAs should be encouraged to integrate and offer Web-enabled online client services to create transparent and predictable "single-window systems".

The policy advocacy role of IPAs was suggested as a topic for consideration by a future Expert Meeting.

*Intergovernmental Group of Experts on Competition Law and Policy holds its sixth session:* In line with the agreed conclusions adopted at the fifth session of this Group of Experts, the consultations from 8 to 10 November focused on the strengths and weaknesses of peer review related to competition policy; advocacy in promoting awareness of competition policy in developing countries; ways in which possible international agreements might apply to developing countries, including through preferential and differential treatment; and best practices in recent cases involving joint action by competition authorities. The session also served as the preparatory meeting for the Fifth UN Conference to Review All Aspects of the Set, scheduled to take place in 2005.

## **NEW PUBLICATIONS**

### TRADE AND DEVELOPMENT REPORT 2004

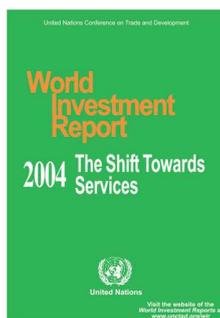


A global economic recovery is underway. But will it be sustained, and will it benefit all countries? There are considerable downside risks stemming from oil prices and exchange rates. Moreover, both the sources and incidence of growth are unequally distributed around the globe.

Rising United States deficits and rapidly expanding demand in East and South Asia have been the main stimulus for the world economy. What are the global implications of this pattern for current trends and future prospects?

Greater openness to international trade and finance has not enabled developing countries to establish a virtuous interaction between external financing, domestic investment and export growth. The Report argues that, to achieve this, a feasible development agenda has to be based on the concept of "coherence". Here, a fundamental question is how to address the problems of trade imbalances originating in the monetary and financial systems.

### WORLD INVESTMENT REPORT 2004



The Report presents the latest trends in FDI and explores the shift towards services, with a special analysis of offshoring service activities.

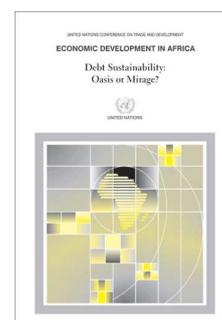
Part One discusses recent global and regional trends in FDI and international production by transnational corporations (TNCs). The sectoral pattern of FDI is shifting towards services, and outward FDI from developing countries is becoming significant. There is also optimism that inflows to these countries will increase in 2004 and beyond.

Part Two deals with FDI in services. It examines the shift of FDI towards services, with a focus on the entry of TNCs into new service areas. FDI in services, especially intermediate and infrastructure services, affects the economic performance of a host country in all sectors. Offshoring of corporate services is increasing rapidly thanks to advances in information and communication technologies.

Part Three analyses key issues relating to national and international policies on FDI in services. The proliferation of international investment agreements (IIAs) covering FDI in services has resulted in a multifaceted and multilayered network of international rules that affect national policy making.

## ECONOMIC DEVELOPMENT IN AFRICA: DEBT SUSTAINABILITY, OASIS OR MIRAGE?

The continent's debt problems and its resource requirements are inextricably linked to the capacity of African countries to generate capital accumulation and growth. Among the policy measures that UNCTAD has advanced is the need for an independent assessment of debt sustainability in African countries by a high-level panel of experts on finance and development, selected jointly by debtors and creditors, with an undertaking by creditors to implement fully and swiftly any recommendations made. While this recommendation did not find favour in the donor community, it was contended that the Heavily Indebted Poor Countries (HIPC) initiative, and later its enhanced version, would ensure a permanent exit solution to Africa's debt problems.



Debt sustainability is a relative concept. The questions that beg for a response are: What level of debt is sustainable for countries in which the vast majority of the population lives on under \$1 a day per person? Have debt sustainability criteria been based on internationally recognized benchmarks such as those of the Millennium Development Goals, or on objectively and theoretically verifiable criteria? What is the relationship between Africa's total external debt stocks and the actual amount of debt serviced? Is complete debt write-off a moral hazard or a "moral imperative"?

### Upcoming events

- Expert Meeting on Design and Implementation of Transit Transport Arrangements, 24-26 November 2004

Countries that depend on transit trade, notably the landlocked countries, are confronted with a variety of practical constraints that increase the logistics costs of their international trade. For example, it is estimated that landlocked developing countries have to bear, on average, 50 per cent higher international transport costs than neighbouring transit/coastal countries. Constraints are related to customs and border procedures and to the fact that cargo and transport services have to adapt to different administrative, legal, commercial and other conditions when passing through a third country. Transit arrangements for minimizing these constraints need to reflect new developments, notably concerning trade facilitation, new technologies, multimodal transport and transport security. In order to develop and implement specific transit arrangements, the public and private sectors of the transit country and the landlocked country need to cooperate within each country and between the two countries through appropriate national and regional coordination mechanisms. In many cases, corridor-specific arrangements can lead to win-win situations where both countries can benefit from synergies and economies of scale in investments and transport operations.

- Expert Meeting on Promoting the Export Competitiveness of SMEs, 8-10 December 2004

A leading concern of developing countries with respect to their participation in global trade is their lack of competitiveness. They need to solve supply-side constraints and build up national productive capacity and an efficient trading and transport infrastructure. The São Paulo Consensus states that "building productive capacities and enhancing international competitiveness requires a

collective and coherent effort, primarily by the developing countries concerned, but also by home countries, investors and the international community as a whole". Various stakeholders are thus involved to different degrees in enhancing the export competitiveness of small and medium-sized enterprises (SMEs) in developing countries.

The meeting is expected to bring together high-level experts from the public and private sectors, as well as academia and international organizations, to examine which policies and actions can be taken by governments, the private sector and the international community to help improve the export competitiveness of SMEs in developing countries. Linkages with transnational corporations will receive special attention, as these private actors are increasingly playing a leading role in world production, trade and finance. The aim is to contribute to UNCTAD's objective of generating "greater understanding of the interface and coherence between international processes and negotiations on the one hand and the development strategies and policies that developing countries need to pursue on the other", as stated in the São Paulo Consensus.

- Expert Meeting on Trade and Development Aspects of Professional Services and Regulatory Frameworks, 17-19 January 2005
- Expert Meeting on the Impact of FDI on Development, 24-26 January 2005
- Expert Meeting on New and Dynamic Sectors, 7-9 February 2005
- Commission on Enterprise, Business Facilitation and Development, ninth session, 22-25 February 2005

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*For more information on forthcoming events, please check the [calendar of meetings](#).*

NGOs enjoying observer status with UNCTAD automatically receive official notifications inviting them to participate in and contribute to the debate and discussions of Expert Meetings, sessions of the Commissions of the UNCTAD Trade and Development Board, and quadrennial sessions of the Conference. Competent and relevant NGOs interested in contributing to UNCTAD's programmes and activities may wish to consider applying for observer status.

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For further information, please contact [amel.haffouz@unctad.org](mailto:amel.haffouz@unctad.org).

For more information, please visit UNCTAD's website:

[www.unctad.org](http://www.unctad.org)