



**United Nations
Conference
on Trade and
Development**

Distr.
GENERAL

TD/B/51/8 (Vol. II)
10 November 2004

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Fifty-first session
Geneva, 4-15 October 2004

**REPORT OF THE TRADE AND DEVELOPMENT BOARD
ON ITS FIFTY-FIRST SESSION**

Held at the Palais des Nations, Geneva
From 4 to 15 October 2004

Volume II

Summary of proceedings

PREFACE

This volume (volume II) of the report of the Trade and Development Board on its fifty-first session contains the summaries of statements made during the session.

All other matters relating to the fifty-first session of the Board are to be found in volume I of the report, entitled Report to the United Nations General Assembly.* These include action taken by the Board, as well as procedural and institutional matters.

* See TD/B/51/8 (Vol. I).

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Chapter I

OPENING STATEMENTS

1. The **Officer-in-charge of UNCTAD** said that the outcome of UNCTAD XI had four key messages that defined the tasks ahead for UNCTAD: the continued relevance of the Bangkok Plan of Action; the need to enhance coherence between national development strategies and international obligations and commitments; the need for developing countries to enhance their productive capacities in order to take full advantage of new trading opportunities; and the identification of specific areas of activity to promote beneficial integration of developing countries into the international economic system. Although growth prospects for developing countries were relatively bright, not all developing countries had been able to participate in the world economic recovery, particularly the poorest countries. The current imbalances in the world economy highlighted the lack of coherence between international arrangements, trade policies and financial and exchange-rate management. Important changes were taking place in the area of international direct investment that could have implications for the export potential of developing countries. Increased demand for primary commodities gave hope to poorer countries in Africa and the least developed countries (LDCs); yet, given present conditions and growth rates, it would be impossible for sub-Saharan Africa and many LDCs to meet the Millennium Development Goals (MDGs) by 2015. The efforts of these countries to reach the internationally agreed goals would need to be supported by the international community through additional debt relief and official development assistance. UNCTAD was grateful to donors for the increase in voluntary contributions for technical cooperation activities and would continue to strive for increased coherence and efficiency in these activities.

2. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that getting trade discussions back on track at the end of July 2004 had provided new confidence. Developing countries now needed to see meaningful and tangible gains from the subsequent negotiations. The new geography of trade and South-South trade in commodities, manufactures and services could provide new opportunities for assuring development gains from international trade and trade negotiations for all countries, particularly for developing countries. The accrued interdependence between the South and the North underscored the need to foster growth and development in the South, which would benefit all countries and the world economy at large. Global economic policy-making called for greater multi-dimensional coherence. While coherence between national economic policies and international economic processes was essential, coherence must also be achieved in the development prescriptions of international institutions. The report by the secretariat on debt sustainability in Africa showed the incompatibility between unsustainable debt and the MDGs in many African countries and that any lasting solution to the debt overhang hinged as much on political will as on financial rectitude. The conclusions contained in the *Least Developed Countries Report 2004*, which provided the first comprehensive empirical analysis of the relationship between trade and poverty in the LDCs, merited further consideration. The *Report* showed that export growth had rarely been associated with sustained poverty reduction in the LDCs during the 1990s, even though trade represented a high proportion of their GDP and most of them had undertaken far-reaching trade liberalization. Persistent mass poverty in the LDCs was not the result of insufficient trade liberalization, but the consequence of underdevelopment. The evidence indicated that extensive trade liberalization had thus far not resulted in a form of integration that would support sustained and inclusive

development. The focus on services in the *World Investment Report 2004* was timely in light of the growing importance of services industries in the efficient operation of any national economy. There was a need for carefully designed and well conceived policies to ensure that the potential benefits of FDI would be realized, and to reduce the potential negative consequences that could result from services FDI.

3. The representative of **Chile**, speaking on behalf of the **Latin American and Caribbean Group**, said that the most important challenge currently faced by UNCTAD was to maintain development as the main focus of attention of world leaders and international organizations. One of the important topics to be addressed was the growing role of the developing world in the trading system, as well as its increasing participation in international investment flows. The economic performance of the countries of Latin America and the Caribbean in 2003 reflected these trends. Latin America as a whole had posted a trade surplus and, for the first time in decades, a current-account surplus. However, sustained economic growth remained a seemingly unattainable goal for many countries in the region, as they faced weak domestic demand, difficulties in financing development policies, high debt burdens, high levels of unemployment, poverty and income inequality. The situation in Africa and LDCs called for a closer link between national and international policies to ensure that trade became an effective means for the reduction of poverty. Technical assistance and capacity building activities were key for the effective participation of developing countries in the international economic system and for the implementation of national development strategies. The modalities of financing the participation of experts in UNCTAD meetings were unsatisfactory and should be reviewed.

4. The representative of **Romania**, speaking on behalf of **Group D**, said that the Board's session should contribute significantly to the implementation of decisions taken at UNCTAD XI. Group D was committed to supporting UNCTAD in fulfilling its mandate as the focal point of the United Nations for the integrated treatment of trade and development and interrelated issues in such areas as finance, technology, investment and sustainable development. This mandate was particularly important during the preparations for the upcoming first assessment of the MDGs, and UNCTAD should make contributions and inputs to this process.

5. The representative of **Nigeria**, speaking on behalf of the **African Group**, said that recent growth in world output was unevenly distributed across regions and might be threatened by macroeconomic imbalances and difficulties in major industrial economies. Moreover, rising oil prices posed a real burden for oil-importing developing countries. It was therefore crucial to consider ways and means of avoiding a hard landing for the global economy. Moreover, the disjuncture between the international trading system and the international monetary and financial system indicated the need for increased policy coherence in international economic processes. The new geography of international relations was reflected in the increasingly important contribution of developing countries to international trade and the process of sustaining growth in the global economy. In the context of recent discussions and negotiations at UNCTAD XI and in the World Trade Organization developing countries had shown that they were positively disposed to promoting international economic cooperation while pursuing their interests and priorities. Many African countries continued to face a particularly difficult situation. There was now widespread doubt and pessimism about the ability of most of them to attain the MDGs, especially that of halving poverty. It was also in this context that new approaches had to be explored in tackling the

debt problem. The difficulties facing many LDCs and small economies had been compounded in the recent past by conflict and natural disasters. The programmes in the secretariat relating to LDCs and Africa should be given the resources they needed to function effectively. UNCTAD should participate actively in forthcoming international conferences relating to development such as the review meeting on the MDGs and the Tunis phase of the World Summit on the Information Society in 2005.

6. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, said that the São Paulo Conference had reaffirmed UNCTAD's distinctly important role in the international institutional infrastructure. It was distinct owing to the deliberative nature of the organization, and important because of its mandate on consensus building with regard to the whole range of issues pertaining to trade and development. While reaffirming the Bangkok Plan of Action, the three pillars of UNCTAD's mandate, and its comparative advantage in and continuing work on macroeconomic issues, the São Paulo Consensus accorded consensual recognition to the concept of policy space. His Group attached the utmost importance to the cross-cutting nature of the concept and considered it a first step in the right direction and a work in progress which, in terms of UNCTAD's consensus-building mandate, would eventually lead to a convergence of views on how to operationalize it. In a globalizing world economy, interdependence and interconnectivity had enhanced the awareness of global disparities, which had been gravely accentuated in recent years. The international economic environment was characterized by deep-seated imbalances in four areas: the international financial order; the international trading system; the realm of knowledge and technology; and global economic decision-making. A global resolve to address these imbalances was embodied in the MDGs. However, the international community was not likely to achieve even the first and foremost goal of halving poverty within the stipulated timeframe, and this would most likely retard progress on the other MDGs. Many developing countries had adopted conscious policies for poverty reduction, good governance and open trade. These, however, were yet to be matched by the fulfilment of promises of greater market access, larger financial assistance and meaningful debt relief for all countries with unsustainable debt burdens. A renewed political commitment was needed with regard to the pursuit of cooperative, rather than competitive, development.

7. The representative of **Benin**, speaking on behalf of the **least developed countries**, said that it was important to discuss the impact of the outcome of recent negotiations in the WTO on the LDCs. Technical assistance was very important for the integration of LDCs into the world economy and deserved special attention. While the increasing role of some developing countries in international economic relations was welcome, the share of LDCs in North-South and South-South trade remained very small, and international trade rules threatened to marginalize them further. Recent global economic trends confirmed that the LDCs were not yet integrated into the world economy. It was therefore necessary to ensure greater participation of LDCs in world trade. The evaluation of the implementation of the Programme of Action for the LDCs for 2001-2010 showed that its objectives were far from being achieved, and the LDCs, despite all their efforts, continued to be faced with extreme poverty. Factors such as the falling trend in primary commodity prices, low levels of foreign direct investment, the unsustainable debt burden and agricultural subsidies in developed countries were detrimental to their development efforts. The *Least Developed Countries Report 2004* defined the national and international orientations and the measures required to strengthen the impact of trade on poverty reduction in LDCs. There was a need to cancel LDCs' external debt, which constituted a serious constraint on their development efforts.

Domestic efforts were necessary to remedy the situation, but external support, greater justice, and solidarity on the part of the developed countries were also required.

8. The representative of the **Netherlands**, speaking on behalf of the **European Union**, said that UNCTAD XI had shown the fundamental complementarity between South-South and North-South dynamics. UNCTAD would need to balance these dynamics and implement its working programme in a balanced and flexible way. The implementation of the outcomes of UNCTAD XI required setting priorities and streamlining management within available resources in order to ensure UNCTAD's credibility and increase its relevance. Contributions from civil society could bring added value in the three pillars of UNCTAD's work. The secretariat's report on "The new geography of international economic relations" addressed some of the key objectives and priorities of the European Union, which were: integrating trade and investment into national development policies and poverty reduction strategies; regional integration and South-South trade; and commodity dependence and poverty. The work on Africa must become a clear priority for UNCTAD. Enhanced economic growth and social development in the LDCs were in the interest of all parties, both from a development perspective and from a political point of view. LDCs should be supported by developed countries and by more advanced developing countries in their efforts to overcome the constraints that prevented their successful integration into the world economy. UNCTAD should intensify its efforts to create a strong link between trade and poverty reduction in the LDCs, and strengthen trade-related capacity building to help LDCs improve their integration into the world trading system, in particular through the Integrated Framework. As a forum for consensus building and debate, UNCTAD could further mutual understanding. Technical assistance, research and intergovernmental work remained of considerable relevance in supporting the developing countries in their aim to implement the development agenda. The Board's session would give an impulse to the improved delivery of technical assistance both in terms of quality, effectiveness and transparency and in terms of the necessary increase of the share of resources going to LDCs and Africa.

9. The representative of **Switzerland** said that the world economic situation had improved but there were considerable uncertainties resulting from political tensions and the continuing rise in oil prices. While a growing number of developing countries had strengthened their presence in international markets, the situation in the LDCs, in particular in sub-Saharan Africa, continued to be a reason for concern. The recent agreement at the WTO represented a new step towards an open multilateral trading system that took account of the needs of the developing countries. It was now necessary to find an agreement on the precise modalities for the reduction of agricultural and other subsidies. Further progress was also required in the area of trade in services and trade facilitation. UNCTAD had a privileged role in the integrated treatment of trade-related issues with a view to further integration of the developing countries into the world economy. South-South economic relations offered real opportunities and should be enhanced. The Mid-term Review in 2006 would be an opportunity to evaluate the progress in the implementation of the decisions taken in São Paulo. Regarding UNCTAD's contribution to the objectives defined by major recent international Conferences and Summits, a more profound analysis of the measures envisaged, and those that had already been taken, was desirable. UNCTAD's technical cooperation strategy was a useful means of focusing on projects that responded best to the needs of beneficiaries and had a lasting impact. However, it was necessary to further improve the coordination of technical assistance activities within the secretariat and to strengthen the follow-up to project evaluations.

10. The representative of the **United States of America** said that, in the coming years, development issues should be at the centre of the preoccupations of the United Nations system. For the United States, the eradication of poverty, hunger and disease was a fundamental foreign policy goal, and several initiatives and actions had already been undertaken in support of this commitment, such as the Millennium Challenge Account, a substantial increase in ODA, the Emergency Plan for HIV/AIDS relief, and debt relief. The Monterrey Consensus was a coherent and balanced framework that provided the basis for development and poverty eradication. Within this framework, a broad range of resources – public and private, external and internal – must be mobilized. The Monterrey Consensus had given a strong case for donor countries to increase their ODA, and it was essential to keep it intact. International fora, including UNCTAD, should give priority attention to the issues of trade, aid and debt.

11. The representative of **Barbados** said that it was now necessary to realize real and concrete benefits from the São Paulo Consensus, in particular to ensure that greater development gains could be generated from trade and to find an appropriate balance between the policy space that developing countries needed to achieve their development goals on the one hand and international obligations on the other. UNCTAD should maintain its unique role in the area of trade and development. Particular attention should be given to the debate on the post-Doha work programme. UNCTAD should continue to provide developing countries with support and cooperation during the negotiations following the decision taken in WTO in July to realize the development aspects of trade negotiations.

12. The representative of **Venezuela** said there was empirical evidence that, in the quest for development, the perspective should not be limited to the international trade dimension and to attaining faster economic growth but should also take into account the social dimension. The efforts of developing countries at the national level to meet their objectives had to be supported by a favourable international environment, and international cooperation should take on a new dimension. Developing countries needed active policies in order to change their trade patterns, to add value to their production, and to create and strengthen structural conditions for sustained growth. As stated in the São Paulo Consensus, the issue of policy space was of fundamental importance in this regard and should be reflected in future discussions and technical cooperation activities. As development strategies and policy efforts at the national level were frequently constrained by an adverse international economic environment, two fundamental thematic axes should be followed: first, coherence between national development efforts and strategies in the developing countries and national policies of the major economies that had systemic effects; and second, coherence between the international trading system on the one hand and the international financial and monetary system on the other. There was a continuing need to identify pragmatic policy alternatives and to rebuild a development consensus.

CHAPTER II

INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: POLICY COHERENCE, DEVELOPMENT STRATEGIES AND INTEGRATION INTO THE WORLD ECONOMY

(Agenda item 3)

13. For its consideration of this item, the Board had before it the following documentation:

Trade and Development Report, 2004 (UNCTAD/TDR/2004 and Overview).

14. The **Officer-in-Charge of UNCTAD**, introducing the item, said that part two of the *Trade and Development Report* (TDR) looked at the issues and challenges arising from greater trade and financial integration from a historical perspective and then at the impact of monetary and financial factors on the supply-side of developing-country exports. It examined the particular effects of sharp and abrupt currency depreciations on the trade performance of developing countries and went on to analyse policy options with regard to exchange-rate management in a volatile international financial environment. Part one of the TDR reviewed, from a development perspective, recent trends and prospects in the world economy.

15. The **Officer-in-Charge of the Division on Globalization and Development Strategies** said that growth in the world economy was gaining momentum but that there were risks that made the outlook uncertain, including the rise in oil prices, the persistently large disparities in the strength of domestic demand among the major developed countries as well as among different regions in the developing world, and the increasing trade imbalances between the major economic blocks. In addition to a favourable international trading environment and favourable microeconomic conditions, the TDR stressed that macroeconomic policies, especially those related to interest rates and exchange rates, also determined whether developing countries reaped the full benefits of their integration into the world economy. It showed that inflows of short-term capital had often led to exchange rate appreciation, jeopardizing the cost competitiveness of domestic exporters. Ensuing sudden and massive outflows of capital had restored competitiveness, with positive effects on the country's trade performance in the short run, but had led to negative effects in the medium and long run. Countries with an open capital account were vulnerable to such international short-term capital movements. An increasing number of developing countries had chosen policies to avoid currency overvaluation by intervening in foreign-exchange markets and accumulating substantial amounts of international reserves. Associated potential inflationary pressures could be countered by non-monetary policy measures. However, not all countries could simultaneously manage the movements of their exchange rate and achieve their target rates. Hence, there was a need to establish a rules-based and truly multilateral monetary system.

16. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that the pattern of world trade had changed in significant ways since the early 1960s, most notably with the rise of new manufacturing exporters, particularly in East Asia. However, many developing countries had been trading more but earning less since the mid-1980s. The new geography of international trade provided some hope that this situation might change as

the role of developing countries as producers, consumers, traders and resource providers became more important, intensifying complementarities with developed economies. This underscored the need for enhanced growth in developing countries, which was critical to ensure growth in the world economy and maintain prosperity in developed countries. It was thus essential that the developed countries re-evaluate their policies, as well as their development cooperation programmes.

17. The call for more policy space, which had already been at the heart of the first session of UNCTAD, had been formally recognized at UNCTAD XI in paragraph 8 of the São Paulo Consensus. In this regard, he highlighted the importance of the recent “Proposal to Establish a Development Agenda for the World Intellectual Property Organization (WIPO)”. The Proposal sought to place development concerns, including the need to safeguard the policy space of developing countries, at the heart of the intellectual property system. Over the past two decades, many developing countries had seen the erosion of their policy options. This could, in part, be traced to the adoption of new rules and obligations in the trading and financial systems, along with heightened surveillance. But just as important had been the influence of assumptions and prejudices that confused the means and the ends of development, and which proved to be simple, technocratic solutions that took no account of national differences and constraints.

18. He restated the need for improved systemic coherence in support of development. All countries needed to recognize that their actions could affect others, and had to act accordingly. The policy actions taken in the leading economies reverberated asymmetrically around the system, and those economies that had the financial, technical and institutional capabilities required to correct any potential imbalances in the pattern of trade, capital and technological flows ought to contribute to ensuring the required degree of global economic stability. The TDR recalled that, in the absence of properly integrated treatment of international economic relations, the unrestricted flow of capital could produce sharp discontinuities between international finance and productive development, allowing independent currency movements to once again have a profound impact on trade and growth prospects in poorer countries. The Report’s call for a genuinely multilateral solution to currency volatility was timely.

19. Analyzing recent trends in foreign direct investment, the *World Investment Report 2004* (WIR) also considered a relevant aspect of the interdependence debate. While FDI flows to developing countries as a group had risen in 2003, many low-income countries continued to face difficulty in attracting FDI in industries where it could contribute to development. The focus of the WIR on FDI in services was timely given the importance of the services sector in the efficient operation of any economy and in poverty alleviation. Developing the necessary tools to counter restrictive and anti-competitive business practices followed by transnational corporations was important, as an exclusive focus on restrictions from government-mandated regulations had to be avoided. FDI in services could bring capital and help meet domestic financing needs, lead to improved quality of services and transfer technology, but carefully designed and well conceived policies had to be in place to ensure that the potential benefits of FDI would actually be realized. The WIR also made a valuable contribution to the debate on services outsourcing, which could enable many developing countries to develop export capabilities and create new jobs.

20. The representative of the **Netherlands**, speaking on behalf of the **European Union**, agreed with the view that longer-term growth and the trading opportunities of the more advanced economies also depended on the expansion of industrial capacity and markets in the poorer countries, as well as with the call for a collective approach, at the global or the regional level, susceptible to foster coherence between the international trading, monetary and financial systems. That, of course, still left open the question of what forms these systems should develop into, as well as the modalities of their interplay. While welcoming UNCTAD's contribution to this debate, considering its mandate to provide an interdisciplinary perspective, she stressed that the main protagonists in these matters were the WTO for trade and the Bretton Woods institutions for monetary and financial questions. Regarding the concept of policy space, there was a risk of an inappropriate use of policy space that could lead to negative effects on other countries. The scope of the use of policy space differed from country to country and from situation to situation. Countries would always need to consider the impact of their use of policy instruments on other countries, both in the bilateral and in the broader multilateral context. There was no single formula in the sense of one size fits all. For example, though some advanced developing countries were using their policy space to maintain their currency at deliberately low exchange rates, such an approach could not be recommended for all developing countries, and in particular not the LDCs. She proposed that UNCTAD not limit itself to indicating which strategies, in certain parts of the world and at certain times, had proven successful, but present alternative scenarios, based on certain plausible assumptions, including those which would require concerted actions on the part of the international community.

21. The representative of **Uruguay**, speaking on behalf of the **Latin American and Caribbean Group**, said that meeting the Millennium Development Goals required greater coherence between international processes and negotiations, mainly in the areas of trade, investment, finance and technology, and the different national development strategies to accelerate economic growth and promote sustainable development. As shown in TDR 2004, after a prolonged stagnation, the economies of Latin America and the Caribbean had been recovering since the second half of 2003. However, the fact that this recovery was the result of an increase in the prices of exports from Latin America and a decline in international interest rates confirmed the vulnerability of Latin American economies to commodity price movements and to conditions on international financial markets. There were therefore doubts about the extent and sustainability of the recovery. In order to evaluate to what extent the improvement in the external situation of the region was the result of long-term trends or short-term fluctuations, three elements had to be considered. First, the situation in the different economies of the region was not uniform; second, the short-term factors which had favoured most of the economies in the region could rapidly disappear; and third, structural factors that prevented high and sustained growth continued to be present. In order for recovery to translate into sustained growth, domestic policies needed to better promote the recovery in investment and employment, but, at the same time, there was a need to create a new international framework that would be more favourable to development and better reinforce the coherence between the international trading, financial and monetary systems. Regarding the international trading system, substantial improvements in the multilateral trading system under the Doha objectives were required, in particular fair rules for trade in goods and services of interest to the region and non-distorted access to all markets. Likewise, destabilizing effects that international financial markets could have on the developing economies should be avoided, as they could nullify the gains obtained through trade. This was a key factor, because, apart from a favourable international trading environment, developing countries needed to have competitive companies in international markets to

maximize their benefits from integration into the global economy. Among the many factors that affected competitiveness, macroeconomic policies had to be taken into account, mainly those related to interest rates, a key factor for domestic investment, and exchange rates, a key factor for performance in international trade. Only coherence could ensure that greater trade and financial integration would allow developing countries to establish a virtuous circle between external finance, domestic investment and expanding exports. Given its mandate, UNCTAD played a major role in identifying the elements required to elaborate a coherent global strategy that would integrate the development dimension in the global processes.

22. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, said that globalization might be a virtual ideology of modern existence with potentially far reaching developmental implications, but the reality so far belied the expectations. Economic and social transformations unleashed by globalization had outrun the capacities of many developing countries to handle their consequences. While developed countries were enjoying the dividends, developing countries continued to suffer from a host of problems, including poverty, lack of financial resources for development, heavy debt burdens with the associated reverse flows of capital from developed to developing countries, deteriorating terms of trade, increasing financial risks, and low levels of technological development. These problems not only hampered the healthy development of the global economy but also posed a threat to global security. They were aggravated by diminishing policy space as developing countries battled to retain some measure of control over their sovereignty so as to prevent the emergence of underdevelopment. It was rather paradoxical that the protagonists of globalization called for the improvement in national governance while the present set of global rules progressively encroached on the essential policy space.

23. Concerning the doubts expressed in TDR 2004 about the sustainability of the current growth pattern of the world economy, particularly its dependence on further expansion in the United States, the latest developments in Asia could to some extent contribute to redressing this imbalance. The fast-expanding external sector in Asia had been complemented by robust domestic demand in the region. Import growth was expected to outstrip that of exports this year. As the trade surpluses narrowed, Asian reserve accumulation could slacken. The pass-through of the income effect of trade expansion was partly the reason for this phenomenon. Another reason was that fast economic growth induced income demand for a variety of goods.

24. Slow growth, stagnation of per capita incomes and continuing commodity dependence in much of sub-Saharan Africa, and the growing likelihood that the Millennium Development Goals would not be attained in that part of the world, were serious concerns. The fragility and hollowness of the current growth pattern in the global economy underscored the need for a collective rethink aimed at broad-based and synchronized development. In order to prevent the development gap from widening and eventually to close it, he proposed a comprehensive and collaborative seven-point approach: (i) a measure of intellectual rectitude based on a people-centred, inclusive approach to development; (ii) good governance of globalization ensuring inclusive and transparent structures of international economic decision-making; (iii) conclusion of the Doha Work Programme aimed at seeking an equitable and just multilateral trading system; (iv) fair access to knowledge and technology; (v) adequate and innovative financing for development involving debt relief and debt swaps; (vi) corporate social responsibility; and (vii) economic policy space at the national level to formulate and tailor development strategies in accordance with country-specific needs and circumstances. The

São Paulo consensus provided UNCTAD with a sound mandate for substantive work in each of these areas.

25. The representative of **Nigeria**, speaking on behalf of the **African Group**, said that recent developments in the world market for oil showed that actions or events in one country could have reverberations in the rest of the world. Such interdependence could benefit the global economy, as shown by the trade and finance links between the United States and Asia, especially China, that were not only propelling global growth but also benefiting other developing country regions through, for instance, a higher demand for primary commodities. Africa, in spite of widespread pessimism and the realization that the continent might not be able to meet the Millennium Development Goal of halving poverty by 2015, was also benefiting from these links, as Africa's trade with China had sharply increased during 2003. But interdependence could also have adverse effects. Global growth could be threatened by a simultaneous slowdown in the United States and Asia, without being counterbalanced by growth in other major economic centres. The widespread feeling that the macroeconomic imbalances in the United States and the investment boom in Asia might not be sustained over time pointed to a possible hard-landing of the world economy. Moreover, a further sharp dollar depreciation might curtail demand in the United States and choke off the export-led growth in Asia. The exchange rate could be a major trade policy instrument, yet large depreciations might not bring about the desired increase in cost competitiveness and might even bring about pressures for trade protectionism, with attendant risks to the world economy. This lack of coherence between the international trading system and the international monetary and financial system made it worth considering the proposal of the TDR to search for an appropriate exchange rate system at the regional and global levels.

26. Rising oil prices posed another risk to global growth. While part of the rise in oil prices was due to the huge demand in the two growth poles, combined with supply constraints, fears of supply disruption were fuelling speculation. Some viewed the rise in oil prices as temporary and unlikely to harm the developed economies due to their prevailing low inflationary environment. But it was also possible that the situation might not be easily reversed. Some had argued that the situation was serious enough to warrant cooperation between producers and consumers to stabilize prices. This was an intriguing suggestion for policy coherence, because cooperation between producers and consumers was not often admitted as a possibility in the handling of other commodities. Oil-importing developing countries, especially the least developed ones, would face additional difficulties as a result of higher oil prices and require assistance. Recent proposals for debt relief for some of them were welcome in this respect. In addition, concrete efforts would be required to increase the quantity, quality and effectiveness of aid.

27. Policy coherence required broadening and strengthening the participation of developing countries in international economic decision making and norm setting, not only because of the contribution of some developing countries to global growth but also because the governance of globalization needed to ensure policy coherence in favour of development. Many countries in Africa had severe capacity constraints but were undertaking negotiations at the bilateral, regional and multilateral levels. He supported the call for developing countries to have greater policy space, implying that there could be no one-size-fits-all approach to development and that the scope and options for domestic policy should not be choked off by international rules.

28. The representative of **Indonesia** said that while global economic recovery was under way, it might not be sustainable given the challenges posed by the economic conditions in the United States and by instability in oil prices and exchange rates. These challenges needed to be managed carefully so as not to harm economic development in developing countries. Given that volatility in international financial markets and short-term capital flows could adversely affect trade and reduce the competitiveness of developing country exporters, the question arose as to how the international trading system could address the effects of exchange rate uncertainty on trade. While the GATT included balance-of-payments provisions, the associated stringent conditions had made it difficult for developing countries to invoke them. The provision regarding instability in financial flows and the capital account also deserved further attention in future trade negotiations. New policy instruments were needed to help developing countries to converge with the levels of efficiency and affluence seen in the advanced countries, and to improve the welfare of all groups of their populations. In today's interdependent world, the successful development and integration of the developing countries was in the mutual interest of all countries. He called on UNCTAD to continue and sharpen its analytical work, and to broaden its technical assistance programmes to meet the increasing needs of developing countries as they encountered complex challenges arising from trade liberalization and globalization. UNCTAD should also conduct further studies on how the WTO could address exchange rate instability and operationalize the concept of policy space, as well as strengthen its analytical work to encourage TNCs to implement the provision of corporate social responsibility. Promoting coherent policies within and between the major stakeholders and international institutions was crucially important in efforts to attain the Millennium Development Goals.

29. The representative of the **Islamic Republic of Iran** said that several recent or upcoming meetings and reports were giving new impetus to multilateralism and collective decision making at the international level. The new international trade geography had been shaped by the rising importance of South-South relations, as well as by effects of the enlargement of the European Union, new measures in regional organizations, and bilateral treaties. UNCTAD should analyse the impact of these impacts on international trade with a view to mainstreaming development in international trade negotiations.

30. The issue of energy was becoming ever more important and complex. The challenges faced by some developing countries in accessing all sources of energy would undermine their efforts to achieve sustainable development. The absence of some of the most important energy exporters in the decision making process of WTO was an impediment to concluding long-standing solutions in this sector. The establishment of the UN Energy Task Force and the preparation of the UN Energy Programme, the dialogue between producers and consumers, and the involvement of international and regional organizations in different initiatives could lead to long-term cooperation of all stakeholders. He encouraged UNCTAD to take part actively in this process and expand its relations with OPEC, WTO and regional organizations. During the past decades, many developing countries had tried to establish coherence between national development strategies and global processes, but the failure of the openness model and the Washington Consensus had made attaining development objectives more difficult than 20 years ago. Most developing countries were suffering from the lack of attention to their specific development needs and the lack of coherence between the international trading, monetary and financial systems. Balancing national policy space and international disciplines could allow developing countries to fully integrate into the multilateral trading system.

31. The representative of the **Russian Federation** said it was increasingly clear that addressing global challenges and threats in the socio-economic area and settling global political issues were interrelated. The uncontrolled and uneven character of globalization was an additional burden on the world economy and deepened the socio-economic differences between countries, nourishing crisis elements in many countries and regions of the world. This, in turn, worsened existing international security problems and created new risks and challenges, such as international terrorism, which became an obstacle to the normal functioning of international trade and economic relations and the implementation of development objectives. A comprehensive and joint approach was required to ensure effective management of the globalization process and minimize negative impacts. Increased coordination of trade, monetary, financial, investment and social policies at the national and international levels was of prime importance in this context. In the current globalization era, poverty eradication and sustainable development could be achieved by combining the efforts of all members of the world community. For its part, Russia was contributing to achieving set goals, as it was one of the countries among the G-8 that provided most debt relief in the framework of the HIPC Initiative and was ranked first in terms of the debt relief to income ratio. Russia also granted important trade preferences to the developing countries, and the products of the least developed countries were imported duty free. Efforts undertaken at the international level could succeed only if they were accompanied by well-conceived socio-economic, infrastructure, financial and investment policies at the national level.

32. The representative of **Colombia** noted the importance of global security when talking about interdependence and international economic questions from the perspective of trade and development. The poverty that affected millions of people in the world was an important source of instability. Globalization was reflected in many factors, such as trade rules, exchange rates, environmental degradation, migration, conflict situations, drug trafficking and sustainable development. Concerning trade, it was fundamental that the multilateral system functioned in accordance with the wider objectives of human development. International cooperation needed to fulfil the objectives of the Social Summit in Copenhagen. There was also a need for more technical cooperation, the elimination of tariff and non-tariff barriers to trade, and progress towards the free movement of people and the liberalization of trade in services. In general, there should be progress towards meeting all the commitments established in the Doha Work Programme and at UN Conferences. Fighting poverty was a major component for global security in an interdependent world. For developing countries in situations of violence and conflict, there was the challenge of attaining equity and social cohesion, while defending the civil population through legitimate action by the authorities. Continued support from the multilateral banks and better understanding of the specific needs of developing countries from financial markets were also needed. In order to consolidate global security, the principle of shared responsibility should function effectively. Lasting stability would be attained through shared responsibility for cooperation to finance and promote development, eradicate poverty, fight terrorism and corruption, and solve the problem of illicit drugs. UNCTAD and the Board should further reflect on the issue of inequality.

33. The representative of **China** said that the global economic recovery was continuing. World trade was also growing, with more flows of cross-border investment, but there was still an imbalance between trade growth and capital flows. In order to cope with the challenges posed by globalization, various forms of economic and trade cooperation had emerged, with the number of regional and bilateral free trade arrangements increasing

sharply. It was widely hoped that the new round of the WTO multilateral trade talks would lead to a framework convention to improve international multilateral economic and trade cooperation and create the conditions for steady global economic development. Only if the international policy environment was compatible with national development strategies could developing countries integrate smoothly into the world economy.

One major current challenge for developing countries was how to ensure an open process of liberalization while maintaining the necessary policy space. The current effort to shape international economic rules needed to take account of the interests of developing countries. In the Doha Round it was particularly important to take account of the disadvantageous position of the developing countries and assist them in upgrading their negotiating capacity. The developed countries needed to face up to the need for structural reform in their economies and abandon protectionism. The international community needed to further enhance the coordination of development policy aimed at facilitating development financing, enhancing technical and financial support for the developing countries and improving the international economic environment. Only with a fair international economic order could developing countries effectively undertake policies for their self-development or conduct economic reforms adapted to their national conditions.

34. The representative of **Switzerland** said that strong intra-regional trade in East Asia, driven by China and India, had had a positive impact on economic growth in the countries of the region. An important challenge consisted in ensuring that progress in Asia had positive implications for sub-Saharan Africa. Chapter 4 of the TDR was full of useful data, analyses and ideas. He agreed that the impact of exchange rate policies on international trade deserved attention, but he did not share the chapter's main conclusion. The proposed multilateral exchange rate arrangement amounted to suggesting a pegged exchange rate system where exchange rate adjustments needed to be approved under a multilateral arrangement between the countries involved, using purchasing power parity as a decision criterion. The mechanism was only briefly explained in the Report, lacked conceptual foundation and was unlikely to lead to any net improvements over existing exchange rate regimes. Some of the suggested components would make the arrangement appear hard to implement because (i) pegged exchange rates were vulnerable to speculative attacks; (ii) selecting an appropriate exchange rate system needed to take into account a country's structural characteristics; (iii) judging the extent of a currency's over- or under-valuation was difficult and negotiations could prove cumbersome in the absence of a generally accepted approach to defining the equilibrium exchange rate; (iv) the enforcement mechanism was left open; and (v) the issue of a country losing monetary independence was downplayed in the Report.

35. The representative of **Egypt** said that the importance of the issue of policy space in a globally interdependent world and the ensuing need for policy coherence had already been recognized at the first session of UNCTAD and had now been reaffirmed in paragraph 8 of the São Paulo Consensus adopted at UNCTAD XI. While the need for policy space as such was obvious, it was less clear how to operationalize and implement it. Thus, further elaboration of what the concept did and did not entail was required, as mandated in paragraphs 8 and 26 of the São Paulo Consensus. This work should be based on three separate, though interrelated, pillars: (i) further conceptual work by UNCTAD to elaborate on the concept, its implications and means of operationalizing it without prejudicing the current multilateral economic regimes; (ii) a continued dialogue at the intergovernmental level and through future hearings of civil society to allow all stakeholders to voice their views; and (iii) a mainstreaming of this issue in all aspects of UNCTAD's future research.

36. The representative of **Peru** said that the rise in the prices of oil and commodities in general and of minerals in particular were of major concern for Peru. Rising commodity prices did not necessarily imply a redistribution of income from consuming to producing countries, because higher prices did not automatically translate into higher fiscal revenues. In addition, the high volatility of commodity prices led to high vulnerability of commodity export countries due to the adverse effects associated with price declines. The UNCTAD secretariat might consider further exploring the situation of mineral-producing countries and associated problems regarding exchange rate management and the development of non-mineral sectors.

37. The representative of **Sri Lanka** said that the issue of free open source software (FOSS) was becoming increasingly important in the context of global interdependence. FOSS was not just a technological issue but could confer benefits in the form of choice and empowerment, development of local industries and skills, sovereignty and security, as well as financial benefits. It was evolving into a fundamental global policy issue.

38. The representative of **Cuba** recognized the need for policy coherence at the global level and between global and national policies in order to support growth, investment and employment. Improving global governance required coherence between the international trading, monetary and financial systems, as well as reforms of these systems, where needed. Big economies had a particular responsibility to the extent that they designed and applied macroeconomic policies that had an immediate negative effect on the economies of developing countries. UNCTAD had an important role to play in promoting international dialogue and initiatives designed to foster coherence. Neo-liberal policies had received increasing criticism, including from the academic circles and institutions that had designed them. This criticism was based on persistent underdevelopment and poverty in countries that had adopted liberalization. In that connection, there was a need to preserve national policy space for developing countries, and UNCTAD should further develop the policy space concept and make it operational.

39. She was concerned about recent trends in international cooperation. Official development aid (ODA) was decreasing, and there was a lack of political and financial support for international development institutions. The resulting increased bilateralism had meant rising conditionality and declining capacity to channel resources to those countries that needed them most. Concerning commodities, the international community should create mechanisms to improve market access and commodity price stability. It was important to define corporate responsibility in international commodity trade and ensure that developed countries abolished or reduced non-tariff barriers. Developing countries also needed better access to communications technology. While important, South-South trade was not a substitute for North-South trade. External debt was a matter of absolute priority because of its link with poverty. As existing international programmes to reduce the social impact of debt were not sufficient, the only realistic alternative was debt cancellation. New options should be considered to obtain additional financing, while increased efforts should be made to meet the commitment of allocating 0.7 per cent of GDP to ODA.

40. The representative of **Belarus** shared the view that the condition for successful integration into the world economy was coherence of national economic policies. Regarding the issue of policy space, countries at different levels of economic development needed to commit themselves to different obligations in order to benefit from integration into the world

economy. The continued lack of stability in the world economic situation was a matter of concern. He noted with regret the use or threatened use of unilateral measures in international economic and trade relations. This did not go hand in hand with international law and created an obstacle to political and social development of developing countries and transition economies.

41. He noted that developing countries and transition economies were playing an increasingly important role in international trade. Access to developed country markets was key for future trade and economic growth of developing countries and transition economies. Inflows of FDI were vitally important for economic development, but most FDI was still concentrated in developed countries. This was true despite the fact that most developing countries and transitions economies had created favourable conditions to attract foreign investors. The international financial system required reform because it could not ensure global financial stability. Developing countries and transition economies were very vulnerable to financial upheavals.

42. The representative of **Venezuela** said that developing countries needed further structural reforms to sustain the current economic recovery. Greater policy coherence in the global economy would help developing countries to maximize the benefits from integration and minimize the adverse effects of economic policies followed by other countries that had a systemic impact in the monetary sphere. However, a multilateral approach to coherence should not limit the policy space of developing countries. Countries at very different levels of development should accept different commitments. What should be disciplined was not the policy space of those countries that tried hard to reach their essential developmental goals but instead the policies of big actors with a systemic impact.

43. The historic perspective of the TDR represented a significant contribution. The current monetary system, characterized by a large degree of exchange rate volatility, would not work properly or provide predictability for trade and investment unless new rules were adopted making it possible to restrict and discipline policies or measures taken in order to obtain unfair advantages. In a similar way, new trade negotiations would not benefit developing countries unless rules were strengthened making it possible to discipline policies and protectionist measures or minimize their damage. Exchange rate fluctuations had in many cases nullified advantages obtained through hard-negotiated tariff concessions, and in some cases had caused financial crises. Given the international dimension of exchange rate policies, it was necessary to consider the benefits of establishing multilateral mechanisms in the international monetary and financial system similar to existing mechanisms in the international trading system. These mechanisms should preserve the possibility of countries to protect their production and the value of their exports and to maintain a competitive exchange rate. The structure of these rules and their effectiveness could be discussed at a later stage. Some interpretations wrongly held that the concept of policy space could undermine multilateral rules and disciplines, particularly in the multilateral trading system. By contrast, it was obvious that countries could raise legitimate questions for negotiations at the WTO without excluding discussion of these issues elsewhere.

44. In response to specific questions raised by delegations, the **Officer-in-Charge of the Division on Globalization and Development Strategies** said that using non-monetary policy instruments to combat inflation would allow using monetary policy instrument to manage the exchange rate. Regarding the question as to what non-monetary instruments

could be used, much depended on the specific characteristics of each country, such as its institutional set-up and the structure of the labour market. There could be no one-size-fits-all approach to this question. Under the current monetary and financial system, with highly volatile short-term capital flows, developing countries with an open capital account and a rate of inflation exceeding that in developed countries were faced with the dilemma of either adopting freely floating exchange rates, which for many reasons was far from an ideal solution, or, as presently done by many developing countries, unilaterally fixing the exchange rate at a competitive level, which entailed the risk of igniting a process of competitive devaluations. The TDR had proposed a rules-based international monetary system as a way out of this dilemma. While there was no generally accepted measure to determine the level of the equilibrium exchange rate, adopting a rule based on purchasing power parity was likely to be the least bad solution. A fixed exchange rate regime did not entirely protect against exchange rate instability, but it nevertheless provided a higher degree of stability than a regime of freely floating exchange rates, though only if the exchange rate was not fixed at an overvalued level and if the country fixing the exchange rate had a current account surplus.

Chapter III

REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE DECADE 2001–2010

(Agenda item 4)

45. In opening the item, the **Officer-in-Charge of UNCTAD** stressed the critical importance that UNCTAD accorded to the development challenges faced by LDCs. He referred to the current economic and social situation in these countries by highlighting serious constraints on their development, including low levels of capital formation, high illiteracy rates, civil conflicts and high trade deficits. Welfare transfers were not sufficient to reduce poverty. Rather, he argued in favour of policies and assistance measures that would promote the development of productive capacity that would generate new and additional employment and increase household income. External trade could be critical in this regard. However, he warned against neutralizing the positive role of exports through declining capital inflows or increased debt service obligations.

46. The **Director of the Special Programme for Least Developed, Landlocked and Island Developing Countries**, in introducing the main findings of the *Least Developed Countries Report 2004*, noted a modest improvement in the economic performance of the LDCs during the period 2000–2002. However, many LDCs were off track with regard to achieving the Millennium Development Goals (MDGs), in particular the goal concerning the halving of the number of people living in absolute poverty. Nevertheless, he objected to any form of development pessimism, saying that development for the LDCs was by no means an impossible dream, provided that the right strategies and policies were applied and a friendly global environment allowed the mobilization of needed resources.

47. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that the extensive trade liberalization in most LDCs had not had the expected results in terms of sustained poverty reduction and development. This was related to an economic paradigm that was inadequate to meet the immense challenges faced by LDCs. He stressed the need to identify and implement “post-liberal” development strategies, including proactive public policies that could facilitate development and poverty reduction in LDCs. Moreover, a greater focus was needed on international support measures to ensure the implementation of policies for the development of productive capacities through capital investment and skills acquisition, as well as technological change and modernization. He called on the international community to enhance its development efforts so as to implement its international commitments contained in the Brussels Programme of Action for the LDCs. In this context, he stressed the importance of a thorough assessment of the needs of LDCs, including with regard to basic infrastructure and human resource development, so as to enhance their attractiveness for FDI.

48. The representative of **Haiti**, speaking on behalf of the **Group of Latin American and Caribbean Countries** (GRULAC), recalled that very few LDCs applied a restrictive trade regime, that export revenues were highly concentrated within the group, and that most LDCs were being marginalized from the international trading system. Although international trade alone could not solve the problem of underdevelopment, a number of factors, which went beyond WTO issues, prevented the LDCs from seizing the benefits of trade liberalization.

Here he emphasized the decrease in official development assistance (ODA) and investment in the aftermath of trade liberalization. Accordingly, the effects of trade liberalization on growth in LDCs were not substantial.

49. Reaffirming GRULAC's faith in the Doha development objectives, he supported the policy recommendations made in the *LDCs Report 2004* regarding the need for increased trade opportunities, more efficient technical/financial assistance, debt relief, private capital flows, and international assistance in support of technology transfer and acquisition.

50. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, recalled the importance of ensuring policy space and a better balance in international economic relations and stressed that the trade liberalization efforts of LDCs needed to be accompanied by complementary policies and a favourable external economic environment. A combination of increased aid flows, effective preferential market access arrangements and improved FDI flows would be useful towards the achievement of the MDGs.

51. Despite a modest increase in aggregate net resource flows to LDCs in 2001–2002, very few member countries of the OECD's Development Assistance Committee had attained or surpassed the 0.15 per cent target ratio for ODA in comparison with gross national income agreed to in the Brussels Programme of Action. While the distribution of ODA to strategic sectors of LDCs, in particular economic infrastructure, remained problematic, efforts to untie ODA were encouraging and should contribute to the increased effectiveness of ODA. He emphasized the need for enhanced South-South cooperation but added that this should be viewed as a supplement to, not a substitute for, North-South cooperation. He recalled the commitment in the São Paulo Consensus to publish the *LDCs Report* annually and referred to the mandate regarding small and vulnerable economies, as well as landlocked and transit developing countries.

52. The representative of **Nigeria**, speaking on behalf of the **African Group**, stressed the importance of improving socio-economic conditions in LDCs, so as to meet the poverty reduction and growth targets of the Brussels Programme of Action as well as the MDGs. He called for a more detailed examination of the challenges facing LDCs in order to benefit from potential positive effects between trade and poverty reduction. Referring to the mixed trade-growth-poverty reduction performance of LDCs over the past years, despite liberalization efforts by these countries, he stressed the need to explore alternative national development strategies for LDCs that would provide policy space for LDCs to pursue their development agendas. He also referred to the damaging effect of price instability in commodity markets on many LDCs and highlighted the need for special and differential treatment in favour of LDCs as well as market access preferences and greater integration of LDCs into South-South trade. While the work of the Integrated Framework was commendable, it was necessary to accelerate the pace as well as increase the scope of trade-related technical assistance. He called on the international community to increase resources for the regular replenishment of the Trust Fund for LDCs.

53. The representative of **Benin**, speaking on behalf of the **least developed countries** (LDCs), expressed concern at the rise in the number of LDCs, instead of a decrease that had initially been expected and was still hoped for. While the objectives of the Brussels Plan of Action were still valid, recent evaluations showed that LDCs would not meet the goals if current trends continued.

54. He suggested a comprehensive needs assessment to establish the volume of needed financial flows for effective poverty reduction in LDCs. Regarding the LDCs' participation in

multilateral trade, he pointed to the fact that, despite broad liberalization measures undertaken by LDCs, the results were meagre and trade deficits had increased, while FDI flows to LDCs were concentrated in a few countries and limited to certain sectors such as telecommunications.

55. He stressed the need for massive technical and financial assistance to break the vicious cycles of lack of competitiveness, low-value-added products, undiversified economies, high debt and chronic underdevelopment. To help LDCs overcome these imbalances, he urged UNCTAD to increase its technical assistance activities on behalf of LDCs.

56. The representative of the **Netherlands**, speaking on behalf of the **European Union** (EU), concurred with the general thrust of the analysis of the *LDCs Report 2004*. Pointing to positive trends in overall economic performance and aid flows, he called for measures to make these developments more sustainable and broad-based. He emphasized the need to strengthen productive capacities in LDCs so as to enable these countries to make better use of EU preferential market access schemes such as the Everything But Arms initiative and the recently launched initiative on commodity issues. Finally, he expressed support for giving priority to the analytical work on LDCs and technical assistance in favour of these countries by allocating adequate financial and human resources within the UNCTAD secretariat.

57. The representative of **Mauritania** expressed concern at the slow progress in implementing the Brussels Programme of Action. More vigorous implementation was needed. He urged development partners to honour their commitments. The history of LDCs was one of missed opportunities. The international community should do more on behalf of LDCs this time around than it had in the past two decades. Concerted efforts were particularly needed with regard to increasing aid, finding sustainable solutions to the debt issue, facilitating market access and capacity building.

58. The representative of **Norway** stressed that the proper implementation of the Brussels Programme of Action should be given highest priority by all stakeholders — UN agencies, other multilateral institutions, the bilateral donor community and the LDCs themselves. In light of the slow progress made by most LDCs regarding poverty reduction targets, particularly in sub-Saharan Africa, he stressed the need for broader resource mobilization and assistance at both the national and international levels. Norway had started granting duty- and quota free access to the Norwegian market as of July 2002, had made the LDCs a target group for ODA in excess of the 0.2 per cent of GNI target, and had invited advanced developing countries to contribute to improved market access for LDCs. He praised the revitalization of the GSTP scheme and reiterated Norway's full support for this endeavour. Regarding the development of production and trade capacity, he underscored the importance of the Integrated Framework for trade-related technical assistance.

59. The representative of **Switzerland** stressed the need to increase efforts at the national level to mainstream trade into poverty reduction strategies. This would contribute to strengthening the linkages between international trade and the rest of the domestic economy and help adjust trade policies towards the achievement of poverty reduction and development goals. Switzerland welcomed the forthcoming workshop on mainstreaming of trade issues into Poverty Reduction Strategy Papers (PRSPs), to be held in Kigali (Rwanda). He recalled the importance of special and differential treatment and preferential market access for LDCs. He stressed the potential of South-South trade for LDCs and suggested making this issue a central theme of the next *LDCs Report*.

60. The representative of **China** expressed concern at the LDCs' position as a vulnerable group facing increasing marginalization in the world economy. He highlighted the LDCs' efforts to redress their difficulties, through, *inter alia*, vigorous domestic economic reform programmes implemented, but urged the international community to share responsibility for helping improve the unfavourable conditions facing LDCs through the provision of practical support and assistance in areas such as investment, trade, debt relief, increasing ODA and technical support. He also referred to the critical importance of preferential market access for products from LDCs, and he called for technical assistance and capacity-building measures that took into consideration the specific conditions of LDCs.

61. The representative of **Bangladesh** highlighted the need to address a number of major handicaps facing LDCs, such as lack of trade capacities, unfavourable terms of trade, underdeveloped capital and financial markets, lack of resources, inadequate human capital and high levels of external indebtedness. He expressed concern regarding trends in ODA and FDI flows. With respect to mainstreaming trade into the PRSP process, he expressed concern at the speed and extent of trade liberalization and called for trade-related technical assistance in line with national priorities as well as for complementary country-specific PRSP support strategies. He also referred to reconciling conditionalities attached to international trade and aid flows and national development priorities.

62. The representative of **Senegal** warned that poverty continued to increase in LDCs despite efforts made by their Governments in terms of extensive policy shifts, including trade liberalization. He called for increased assistance for building productive capacities and for the reduction of agricultural subsidies in developed countries. He advocated international policy measures to solve LDCs' vulnerability to sharp commodity price swings and pleaded for more efficient trade preferences and South-South cooperation. Regarding the implementation of the São Paulo consensus, he pointed to the need to substantively increase resources, in particular for the Special Programme for LDCs.

63. The representative of **Japan** said that his country appreciated the *LDCs Report 2004*. Transit transport issues were of particular importance to Japan, hence the country's interest in the implementation of the recommendations of the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation held in Kazakhstan in 2003. Other issues supported by Japan included donations to UNCTAD projects that focused on the relationship between accession to the WTO, trade negotiations and agriculture in SIDS, supply of infrastructure, medical services, debt cancellation and peace restoration in conflict countries. He also announced that the TICAD Asia-Africa Trade and Investment conference would be held in November 2004.

64. The representative of the **United States of America** pointed to the numerous challenges faced by LDCs and emphasized the need to tackle the poverty issue through appropriate policy measures on multiple fronts. Development could only be successful if all resources – including trade, investment, domestic savings and remittances, in addition to ODA – were mobilized. He highlighted the potential contribution by the private sector to development, as well as the need for good governance, transparency, open trade and investment regimes, the rule of law and the protection of property rights. Referring to the increase in ODA flows from his country, he stressed the importance of other crucial forms of financial transfer to LDCs, such as remittances and private capital flows.

65. The representative of **Zambia** highlighted the plight of the populations in LDCs. Referring to the commitments made in the Brussels Programme of Action, he called for more assistance for LDCs and expressed confidence that the international community would enhance its efforts to assist LDCs in their efforts to exit the poverty trap.

66. The representative of **Ethiopia** emphasized the need to further analyse the link between extreme poverty and commodity dependence and to identify policies that would mitigate the LDCs' vulnerability to external shocks in commodity markets by linking debt repayment schedules to world market prices. He advocated enhanced market access for LDCs and called for the dismantling of market entrance barriers in order to enable LDCs in the process of accession to the WTO to benefit from special and differential treatment provisions available to LDC member countries of the WTO. He stressed the need to enhance flows of FDI, technology and concessional finance to LDCs. Finally, he expressed concern about the slow pace of the implementation of international commitments and urged the LDCs' development partners to continue contributing to the Trust Fund for LDCs on a predictable and regular basis.

67. The representative of **Afghanistan** welcomed recent positive developments in LDCs but warned against underestimating the challenges faced by these countries. Reducing poverty in these countries remained a formidable task, and the interlinkages between trade and poverty reduction were more complex than had been expected. Poverty was a multifaceted problem that included issues such as civil strife, low levels of human resources development, and lack of productive capacity. Summarizing the situation in his country, he referred to recently adopted economic policies that would ensure dynamic growth of the non-drug economy, with a per capita income target of US\$500 by the year 2015. A new trade regime in conformity with WTO rules would be instrumental in sustaining the recovery of the agricultural sector and the revival of the economy as a whole. However, he emphasized the need for further international assistance for his country.

68. The representative of **Rwanda** said that his country was committed to poverty reduction through various policies, including the promotion of external trade. If there was a link between trade and poverty reduction, it would be necessary to identify relevant factors that impeded or furthered poverty reduction. There was a need to achieve coherence in domestic policies regarding debt, financial transfers, investment and related matters. Economic growth, and hence an increase in per capita income, could be achieved only if LDCs had sufficient productive capacities and made effective use of them. However, policy coherence was also needed at the international level, and he appealed to the international community to undertake steps aimed at harmonizing international policies.

Action by the Board

69. At its 963rd plenary meeting, on 15 October 2004, the Board adopted agreed conclusions 479 (LI). (For the agreed conclusions, see TD/B/51/8(Vol. I)).

Statements

70. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, referring to paragraph 5 of the agreed conclusions, said that it would be necessary to discuss with development partners how the latter could further engage in discussion of and make financial contributions to capacity building for LDCs in trade. Regarding item 6 of the Board's meeting agenda, the challenges facing LDCs in trade were significant. Areas in the

UNCTAD secretariat relating to trade had a lot of work to do regarding the challenges facing all developing countries, and he encouraged Board members to take this into account in future discussions of resources. His group hoped that development partners would be willing to contribute further to help build on the outcomes of UNCTAD XI.

71. The representative of **India** said that her country associated itself with the statement by Brazil. UNCTAD XI had given UNCTAD an enhanced mandate on trade and development issues. There was a large constituency of developing countries, and when questions of enhanced funding were raised, the interests of all developing countries needed to be taken into account.

72. The representative of **Peru** said that, while the LDCs and other vulnerable countries had special needs and required special attention, the higher and common goal was to promote the development of all developing countries. His country was willing to discuss resources in a way that did not affect the secretariat's other work, especially with regard to trade and investment, two issues that benefited all developing countries.

73. The representative of **Nigeria**, speaking on behalf of **the African Group**, said that his group had shared its views on the subject under discussion with the G-77 and China during their group meetings.

74. The representative of the **Netherlands**, speaking on behalf of the **European Union**, said that the LDCs deserved special attention, and that her group hoped the agreed conclusions would be adhered to.

75. The representative of **Côte d'Ivoire** thanked the international community for its support to LDCs. With regard to the debt problem, donor countries should give particular attention to LDCs.

76. The representative of **Cuba** said that her country supported the statements by Brazil and Nigeria. Funding would be critical to efforts to complete and support the programme for LDCs. Some delegations were very sensitive to the problems involved, which suggested that these expressions of goodwill would lead to extrabudgetary financial support.

77. The representative of **Benin**, speaking on behalf of the LDCs, welcomed the work of the two Sessional Committees but stressed that the conclusions and suggestions generated should be followed up on so that the efforts made would not be in vain. He thanked donors for their generosity towards LDCs and hoped they would increase their funding to UNCTAD to help in reaching the Millennium Development Goals. He hoped that all member States would be guided by a common determination to take concerted measures that were concrete and realistic. He appealed to donors to increase their technical and financial support for UNCTAD programmes on behalf of LDCs.

78. The representative of **Venezuela** said that his delegation associated itself with the statements by Brazil and other delegations. His delegation was prepared to work constructively for a more balanced implementation of the recommendations.

79. The representative of **Colombia** said that his delegation associated itself with the statements by Brazil and Peru.

Chapter IV

ECONOMIC DEVELOPMENT IN AFRICA: ISSUES RELATING TO AFRICA'S DEBT SUSTAINABILITY

(Agenda item 5)

80. The **Officer-in-Charge of UNCTAD** said that the plight of African countries and the urgent need for the international community to take decisive action to help them were by now universally recognized, as evidenced by a recent meeting in Addis Ababa of the Commission for Africa established by the Prime Minister of the United Kingdom, Mr. Tony Blair, who at the meeting restated the importance of Africans taking ownership of, and leading the approaches to, development on the African continent. African countries must be allowed the space to determine the right path to development, with assistance from the international community. Four years ago UNCTAD had called for a massive transfer of resources from the international community to African countries to help break the vicious circle of poverty. UNCTAD's Africa report for the year 2000, entitled *Capital Flows and Growth in Africa*, had argued that current levels of GDP growth would have to be increased to 7 or 8 per cent per annum and sustained if poverty reduction targets were to be met, and that this would imply doubling the current amount of aid to the continent and maintaining it at that level for at least a decade. This had been met with some scepticism. However, there was now a growing consensus that the transfer of resources was necessary for African development in addition to other issues such as governance. The High-Level Panel on Financing for Development and a 2002 World Bank study had reached a similar conclusion about the volume of resources to be transferred to developing countries if they were to attain the Millennium Development Goals (MDGs), and had called for an increase of between \$40 and \$60 billion.

81. In 1998, two years after the launching of the Heavily Indebted Poor Countries (HIPC) Initiative, UNCTAD had expressed doubts about whether it could lead to sustainable debt levels for developing countries generally and African countries in particular. The *Trade and Development Report, 1998* had argued that Africa's debt problems and resource requirements were inextricably linked to the capacity of African countries to generate capital accumulation. UNCTAD had proposed *inter alia* that an independent assessment of debt sustainability in African countries be carried out by a high-level panel of experts on financing for development, selected jointly by debtors and creditors, with an undertaking by creditors to implement fully any recommendation that might be made. This did not find favour in the donor community. However, a consensus was now emerging that many African countries continued to suffer from a debt overhang despite the HIPC Initiative and various actions taken in the context of the Paris Club. The 2004 Africa report concluded that if past growth rates were taken into account there was, on average, only a 40 per cent chance that the 27 African heavily indebted poor countries currently benefiting from the Initiative would reach sustainable debt levels, as defined by the Bretton Woods institutions, by 2020. It proposed a total debt write-off for the poorest countries. Should this not be politically feasible, it suggested that the debt sustainability of African countries be considered by an independent body using alternative debt sustainability criteria, with an agreement by all creditors to act in accordance with the findings of the body.

82. Two important current initiatives mirrored the contents of the Africa report. The first of these was the proposal made at the recent meeting of the International Monetary and

Financial Committee of the IMF by the UK Chancellor of the Exchequer, Mr. Gordon Brown, that creditor countries agree to write off the whole of their share of poor countries' debt to international financial institutions. The second was an analysis in a World Bank and IMF document of April 2001 entitled "The challenge of maintaining long-term external debt sustainability", which addressed the sustainability of future debt and emphasized a case-by-case approach, as well as the linking of sustainability analysis with the evolution of the real economy, notably investment and growth prospects, and the need to take into account the economy's vulnerability to various external shocks. The UNCTAD secretariat had informed the World Bank and the IMF of its availability and willingness to cooperate in exploring these issues.

83. The **Special Coordinator for Africa** presented a summary of the findings of the 2004 report entitled *Economic Development in Africa: Debt sustainability: Oasis or Mirage?*. Between 1970 and 2002 African countries had borrowed \$540 billion and had paid back \$550 billion, yet still owed close to \$295 billion. Thus the principal had already been paid back, but the countries remained with a debt stock of nearly 60 per cent of what they had originally borrowed. The debt overhang had been an impediment to Africa's efforts to increase its level of investment. Much of the debt had been accumulated during programmes of structural adjustment. Countries that had reached completion point were not likely to have sustainable debt levels because of over-optimistic assumptions regarding export and economic growth. There had been inconsistencies in the application of eligibility criteria. The main sustainability indicators were not robust enough and did not take into account the complex nature of poverty and the impact of domestic debt. Interim relief had been inadequate and the HIPC debt relief was not additional to aid flows.

84. Moreover, bearing in mind that African countries were unlikely to reach the MDGs, no level of debt servicing could be justified for countries where most of the people were living in poverty. Debt write-off thus became a moral imperative (rather than a moral hazard). In the absence of a write-off an independent body of experts might be created to determine sustainable debt levels based on a wider set of criteria, including those for reaching MDGs. Debt write-off would not be sufficient if it was not accompanied by additional resources, preferably in the form of grants, better market access and more policy space. Debtor countries, for their part, should adopt prudent debt management policies, and invest in human and physical infrastructure and the diversification of their economies. With regard to Poverty Reduction Strategy Papers (PRSPs), which were of major importance in the implementation of the HIPC Initiative, two major evaluations published by the IMF and the World Bank in July and August 2004 had confirmed many of the concerns and recommendations contained in UNCTAD's analysis of PRSPs in the 2002 Africa report, entitled *Economic Development in Africa: From Adjustment to Poverty Reduction: What is New?*.

85. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that development remained an unfulfilled promise for Africa, a continent that was faced with challenges that needed to be addressed immediately. Despite a large number of initiatives in the past, the overall economic situation of the continent was worrying and required a comprehensive approach. The HIPC Initiative and its enhanced version had not solved the debt problem of African countries, and in the current circumstances it was unlikely that those countries would meet the Millennium Development Goals by 2015. The HIPC criteria for debt sustainability analyses were not sufficiently robust to accommodate the extremely poor socio-economic situation of Africa, and they should include child and maternal mortality, levels of education, health care, nutrition, and access to medicine and drinking water. The magnitude of the debt of the poorest countries and of some middle-income ones was of great

concern because it hampered investment and caused considerable strain. It was therefore imperative to find mutually and multilaterally agreed frameworks to reach a comprehensive solution of the debt problem, such as the establishment of an independent body that would consider a wider set of criteria. Meaningful progress towards a solution would require the writing-off of unsustainable debt owed to both bilateral and multilateral donors, which would represent only half of the resource requirements of the countries concerned. Post-Monterrey commitments remained at \$18.5 billion a year, while \$50 billion was necessary if the Millennium Development Goals were to be achieved. Official development assistance (ODA) had increased in 2003, but the increase was insufficient.

86. The slim chance of achieving the Millennium Development Goals in Africa, the insufficient volume of aid flows and their lack of predictability required a renewed impetus and innovative financing mechanisms. In the area of trade, African countries had to grapple with tariff peaks and escalation, and it was therefore essential to address these issues properly in the current negotiating phase. The elimination of export subsidies in developed countries could generate an additional source of financing for developing countries: through channelling to external aid budgetary resources previously earmarked for subsidies without fiscal impact and through increased market access for developing countries. This would have to be combined with measures to achieve food security, poverty eradication and rural development. Improved market access facilities should be supplemented by specific capacity-building programmes to help countries diversify exports and increase their competitiveness.

87. Other developing countries could make a substantial contribution to helping Africa, particularly through the already fast-growing South-South trade, an area with a huge potential for expansion but one that required adequate technical assistance and capacity building. In this field UNCTAD was a very important player. The capacity to compete in international markets, processed agricultural goods, manufactures and services was a necessary condition for the diversification of African economies. Better access to markets helped, but there was a need for investment in productive capacity. Private domestic and foreign capital flows could attract the investment in human and physical infrastructure required to help Africa integrate into the world trading system. In this area, sufficient policy space was critical in order to enable Governments to have the necessary flexibility to maintain and adopt development-oriented policies. Africa needed a coherent and mutually reinforcing set of policies at the international level, together with prudent debt management policies at the national level and increased policy space.

88. The representative of **Nigeria**, speaking on behalf of the **African Group**, said that Africa continued to lag behind the rest of the world in terms of growth, investment and trade, and was plagued by conflict, instability and a worsening public health profile. There was general agreement that if current trends continued, Africa would not meet the Millennium Development Goals. The causes of Africa's problems were rooted in history, but the New Partnership for Africa's Development (NEPAD) represented the political will of African leaders to tackle current problems in order to fully integrate Africa into the global economy. It was important that the willingness of African countries to undertake reforms be matched by the support of the international community. The burden of external debt was one of the major factors militating against progress in Africa, since it reduced resources available for social programmes and prevented the spread of private and public investment. The \$22.2 billion which Africa had received as ODA in 2002 was just equal to what had been paid to service external debt in the same year. Some of those debts could be described as odious, and the surge in the debt stock took place while most countries were undertaking structural adjustment programmes.

89. Most of the initiatives implemented during the 1980s and 1990s did not address the type of debt prevalent in Africa and the original HIPC Initiative had shortcomings of its own. But, irrespective of the merits of HIPC II, there was still much to be done, and the issue was now receiving more attention. In addition to addressing the problems arising from the slow pace of implementation of the HIPC Initiative and the need to provide more interim relief, it would be crucial to review the concept of debt sustainability, the criteria used in determining sustainability levels, and discount rates used to calculate net present values. Owing to the commodity dependence of most African countries and their weak tax bases, it was possible that post-completion HIPC Initiative countries had debt ratios that fell below levels stipulated in the Initiative. This underscored the importance of linking debt relief mechanisms to development financing in order to improve Africa's supply capacity, especially in the areas of infrastructure, manufacturing and services. Accordingly, it would be necessary to tie the HIPC Initiative to the PRSP process. Debt relief mechanisms for Africa should take account of potential growth poles in the continent that could contribute to bringing about the "flying geese" phenomenon observed in other regions. The ineligibility and the exclusion of a number of poor African countries from the Initiative would reduce the ability of the continent to achieve sustained growth rates. Political considerations should lead to meaningful debt relief for African economies with huge burdens, including domestic debt.

90. Inadequate financing of the HIPC Initiative was a matter of concern, bearing in mind the exclusion of some post-conflict countries, the difficulties encountered by some multilateral institutions in meeting their share of costs, and the fact that a complete write-off of the debt would represent only half of the resources needed. The trend towards increases in ODA was a positive sign since the issue of moral hazard had not been put at the top of the agenda. The international community should take seriously the proposal for a complete debt write-off and the establishment of a panel of independent experts to examine the concept of sustainability.

91. The representative of **Cuba**, speaking on behalf of the **Latin American and Caribbean Group** (GRULAC), said that the magnitude of the challenges faced by the African region was revealed by the fact that 71 per cent of least developed countries (LDCs) were located in Africa. As the *Trade and Development Report, 2004* showed, African countries had benefited the least from the recovery in the global economy in 2003. There had been moderate growth in specific subregions, such as North Africa, while sub-Saharan African countries had hardly seen increases in their GDP. Reduced financing and low investment rates continued to limit a sustained economic take-off in Africa, as well as the possibilities of diversifying the economy, which was vulnerable to external shocks. These countries did not have the capacity to generate the necessary domestic savings, while private capital flows were not a source of resources on which long-term strategies should be based.

92. External debt continued to be a drain on the scarce resources that these countries obtained from improvements in external conditions. Most African countries had to double their growth rates and maintain that pace for about a decade in order to meet the MDGs. Without a global strategy for providing effective aid over the next 10 years, these countries would not achieve the MDGs. The international community had lost four years since the Millennium Summit and the Third United Nations Conference on the Least Developed Countries, as ODA flows had remained far from satisfactory. The HIPC Initiative continued to be the policy framework to channel the debt crisis. However, the Initiative had proved ineffective in reducing the unsustainable debt levels of the highly indebted countries. At the same time, the associated macroeconomic conditionality did not promote development. High indebtedness had reduced the capacity of those countries to attract foreign direct as well as

domestic investment. This had limited economic growth and public investment in infrastructure, basic services and human resources development, and reduced expenditure on poverty reduction programmes. The solution would be a debt write-off in order to break the vicious circle in which those countries were trapped. Political will on the part of both bilateral and multilateral creditors was necessary in order to find a permanent solution to the debt crisis, which was to a great extent the result of structural adjustment policies that were promoted as a unique model of development.

93. Domestic efforts had to be supported by external conditions that fostered improvements in economic conditions, as well as in the indicators of poverty. There was a need for global trade, monetary and financial policies that provided the necessary policy space for African countries to apply their own strategies to develop their endogenous capacity to generate resources and improve their production and trade performance. The international community, and not only Africa, was faced with the challenge of reviewing the achievement of the international commitments to fight poverty. This would require a serious political commitment, and not just rhetoric, by Governments, international institutions, the private sector and civil society in order to attain the goals of the Millennium Summit.

94. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, said that multilateral action in the area of debt had to be intensified in order to find a solution to the debt overhang of African and other indebted developing countries. The HIPC Initiative had not been able to reduce debt to sustainable levels for the poorest countries, while some equally poor ones had been left out. The fact that the majority of African countries would not be able to reach the Millennium Development Goals under present conditions was equally alarming. The expectation that countries whose population lived below subsistence levels would continue to service their debts was a problem which the international community had to face. Of particular concern was the fact that countries that had reached, or were reaching, completion point in the context of the HIPC Initiative found themselves in an unsustainable debt situation. This pointed to a problem with the debt sustainability criteria. Poor countries' failure to qualify for debt relief called into question the objectivity of the HIPC approach. The combination of extreme poverty and extreme indebtedness had plunged a large number of low-income countries into a downward spiral wherein Governments had to spend more than half of their budgets on debt servicing, as a result of which they had reduced resources with which to meet the social needs of their people. Consequently, more than 700 million people living in heavily indebted poor countries had no prospect of improving their situation.

95. It was clear that even full use of traditional debt reduction mechanisms might not be sufficient to attain sustainable debt levels. It was significant, therefore, that the United Kingdom was willing to write off 10 per cent of the debt owed by poor countries to multilateral institutions; the multilateral institutions should share the burden in this connection. The criteria applied to debt sustainability analysis should be widened to include human development indices, and debt write-off should be seen as a moral obligation and not as a moral hazard. It would not, however, obviate the need to increase the level of aid; this had to be in addition to, and not a substitute for, ODA, because a full debt write-off represented only half of the resource requirements of the sub-Saharan countries. To prevent poorer countries from falling into a new debt trap, funds provided to them should be in the form of grants.

96. UNCTAD should continue analysis of debt sustainability, extending the research to other developing countries where debt remained a major impediment to development. The potential of traditional economic policy instruments to stabilize the economy remained

limited as long as many developing countries were highly indebted, and escaping from poverty could be impossible. In this context, debt relief should be high on the international agenda. Unsustainable debt was one of the major obstacles to development. Developing countries continued to export capital needed for development in order to service their debt and because of deteriorating terms of trade. This capital flow that was financing the developed world was morally unacceptable and politically and economically unsustainable. Africa's development problems underscored the importance of fiscal and policy space and of a concerted international endeavour to meet the continent's development challenges.

97. The representative of **Benin**, speaking on behalf of the **least developed countries** (LDCs), congratulated UNCTAD on its 2004 Africa report. The analyses and recommendations contained in it were proof that UNCTAD was needed more and more as a centre for theoretical debate, to promote discussion and to make proposals to help developing countries in general and LDCs in particular. More than any other region in the world, Africa faced a number of daunting challenges and would be able to tackle them only within a favourable international environment. Poverty was widespread and growth rates were still too low for the continent to be able to attain the MDGs. The continent was also faced with haunting visions of marginalization in globalization, as shown by its decreasing contribution to world trade. Per capita incomes continued to decrease. In 2003, Africa received only 2 per cent of global FDI. African countries had incurred debt as a result of the advice of international banking institutions in the 1980s as part of their programme to recycle petrodollars. Today, most of those countries were still paying debt service without having received substantial help. It was to avoid such mistakes in the future that NEPAD had been created. Today, the debt burden was an obstacle to the eradication of poverty, as the unbearable weight of external debt undercut all efforts for development. With debt absorbing a large part of resources each year, African countries in general and LDCs in particular were not able to meet by themselves the various prerequisites for promoting development. More innovative and global measures were needed to relieve African countries.

98. It was clear that the HIPC Initiative had not solved the debt crisis of highly indebted poor countries in Africa. Notwithstanding the enhanced HIPC Initiative, the majority of African indebted countries did not have a sustainable debt level. In such a situation, the "moral imperative" required, as suggested by Professor Jeffrey Sachs, special adviser to the UN Secretary-General, pure and simple cancellation of external debt, since rich countries were asking for payments from countries where people were afflicted by famine, sickness and poverty.

99. This was an appropriate occasion to welcome the announcement by Canada on 22 September 2004 that it would cancel the debt owed to it by three African countries ? Senegal, Ghana and Ethiopia ? totalling \$9 million. The United Republic of Tanzania and Benin had already benefited from debt relief in 2000. Overall, Canada planned a total level of debt relief of \$1.1 billion for developing countries. This financial assistance from Canada was only one of a number of similar initiatives taken by other donors before Canada, and showed the willingness of some partners of poor countries to support development efforts. The key was a multilateral approach to aid for Africa, particularly since some of the poorest countries did not receive aid from the International Development Association (IDA). The IDA was the central focus of this reform and expansion of aid flows. It was desirable that it be strengthened in order to contribute to solving the debt overhang in Africa. Rather than the current \$8 billion, annual programmes of about \$25 billion would be required, half of which should go to Africa. The IDA should provide grants rather than loans to poorer countries, that is almost all countries in sub-Saharan Africa. It should define long-term strategies with

receiving countries, up to 2015, the year when the MDGs should be attained. It would be desirable that the next triennial cycle of IDA financing (covering the fiscal years 2006–2008), which was currently being negotiated among donor countries, take this point into account.

100. The representative of the **Netherlands**, speaking on behalf of the **European Union** (EU), said that the full implementation of the enhanced HIPC Initiative, as well as the extended sunset clause, was welcome. Five more countries had reached completion point in 2004, and it was of great importance that the other countries eligible for the Initiative take full advantage of its benefits. The international community should identify credible alternatives for countries, in particular post-conflict ones, with large arrears on multilateral debt that still risked being left out at the expiry of the Initiative. The secretariat's document reviewed the main shortcomings of the HIPC Initiative and recommended a more sustainable approach to the debt crisis. However, there did not appear to be a consensus on alternative modalities proposed, such as payment caps. The cost of debt relief appeared to be underestimated in view of the fact that heavily indebted poor countries were already facing large financial gaps. Increasing efforts for a change in the modalities of debt relief required action by aid donors as well as by recipient countries: changes in legislation, accountancy rules and public perceptions.

101. Since there were not enough available resources in the international financial context, the initiatives launched at the current UN General Assembly on new mechanisms for financing for development should be given serious consideration. The development of a debt sustainability framework by the World Bank and the IMF was promising. In the future, all countries should avoid debt distress; this required that all stakeholders base their decisions on debt sustainability analysis. The financing provided must be brought into line with repayment capacity, particularly that of the most vulnerable countries. Achieving the MDGs required debt sustainability. Nevertheless, empirical evidence showed that debt as such was not correlated with poverty. Therefore, debt relief should be only one element in a full package, with a broader approach, needed to achieve the MDGs -- a package that would include a long-term perspective, coherent action in the areas of trade and finance, increased market access, increased ODA and FDI flows, and effective action to tackle supply-side constraints.

102. The representative of the **African Union** said that the UNCTAD report was an enlightening review and technical analysis of the initiatives undertaken by the international community with a view to addressing Africa's debt problem, and an important contribution to the search for a lasting and effective solution to that problem. The analysis drew attention to the fact that the attainment of the development goals, particularly those contained in the Millennium Declaration, was at stake, and emphasized the need for a permanent exit solution to the debt crisis as a means of achieving those goals. Africans and their Governments were determined to take charge of their own destiny through NEPAD; this, however, was dependent on the external environment being conducive. The speaker was confident that the debate in the Committee would lead to the adoption of concrete recommendations on Africa's debt crisis. She thanked the UNCTAD secretariat, especially the Sub-programme on Africa, for its efforts in raising legitimate questions regarding Africa's development.

103. The representative of **Ethiopia** said that Africa had recorded the fastest economic growth among the developing regions after East and South Asia. This was due to rising oil and commodity prices, the increase in FDI, good macroeconomic fundamentals, improved weather conditions and significant progress towards political stability. However, Africa was far from the 7 per cent growth needed to meet the MDG of halving poverty by 2015. The continent faced many challenges, including ensuring adequate policy space, mobilizing

adequate resources, developing human and institutional capacity, expanding social and economic infrastructure, diversifying the economic base, encouraging intraregional trade, maintaining political stability and controlling the spread of HIV/AIDS and other diseases. While the primary responsibility to bring about socio-economic and socio-political transformation lay with the continent itself, there was a need for support by the international community in the form of increased FDI flows, increased and improved ODA, enhanced debt relief and improved market access opportunities. There was an urgent need not only to encourage FDI inflows into Africa but also to diversify those flows by destination, in terms of sectors and countries. ODA continued to play an essential role as a complement to other sources of finance for development. Development partners should increase the size and improve the quality and effectiveness of ODA in line with the commitments made at the Monterrey Conference.

104. With regard to debt relief, in most African countries external debt was still unsustainable. Timely resolution of external debt overhang could rapidly free resources for developmental purposes. It remained to be seen whether the HIPC Initiative would ensure a durable exit from debt overhang for the beneficiary countries. Since experience showed that the Initiative had some serious shortcomings, such as the over-optimistic macroeconomic projections that were difficult to fulfil when facing external shocks, there was a need to review it.

105. The recent proposal on debt relief made by the United Kingdom was welcomed and other development partners were invited to emulate it. Enhanced and stable market access for African exports could provide sustainable and non-debt-creating development finance. Africa should not be condemned to impoverishment and marginalization in the ever-prospering and globalizing world economy.

106. The representative of **Mauritania** said that studies showed that, at the current growth rates, several African countries would not achieve the MDGs. The results of the reforms undertaken in the last few years had been mixed and the number of poor countries continued to grow. The commitments undertaken by the international community in the 1980s had basically not been honoured, as stated by the Group of Eminent Persons that carried out an independent assessment of the United Nations New Agenda for the Development of Africa in the 1990s. For its part, Africa had started building stronger foundations for democracy and good governance through NEPAD. Support from the international community was essential for the success of NEPAD, as stated in resolution 57/2 of the United Nations General Assembly. NEPAD was based on the principles of responsibility, solidarity and partnership. Solidarity must be tangible and manifest itself in sustained support for priorities and development programmes aimed at improving the living conditions of African people. A lack of solidarity would be detrimental to the credibility of the international community. Among the commitments undertaken by the international community were increases in ODA, market openness, investment promotion and a search for long-term solutions to the debt problem. The ongoing debt and the debt service problem were one of the factors hindering the development and growth of African countries. The HIPC Initiative was not a sufficient response to the debt crisis of the highly indebted countries because it did not allow them to generate sufficient resources to achieve the MDGs. Indeed, some African countries were always forced to choose between servicing their debt and investing in health services, education or food self-sufficiency. This situation was worsened by other factors, such as the fall in the prices of some commodities, protectionist policies and difficulty in gaining access to technology.

107. The representative of the **Russian Federation** said that his country had written off a large volume of African debt. It had written off \$11.2 billion between 1998 and 2002 and \$3.4 billion in 2002. In 2003–2004, the Russian Federation's contribution to the HIPC Trust Fund was estimated at \$10 billion. In the context of trade cooperation, the Russian Federation had granted preferential trade concessions to the African countries. In 2003, preferential treatment had been extended to 80 per cent of imports from Africa, amounting to \$344.9 million, of which \$61.8 million constituted imports from the LDCs. The Russian Federation was actively contributing to resolving the African debt problem.

108. The representative of **Zambia** said that the problem of Africa's debt sustainability and its impact on achieving the MDGs by 2015 should be addressed by UNCTAD with the help of the rest of the international community. Realistic and achievable targets should be used as benchmarks for debt sustainability. The need to write off the debt of the poorest countries was reiterated, particularly since the write-off would be the final consequence of 20 years of failed adjustment policies that had been imposed on those countries. Africans should determine and shape their own future, and the international community should allow the African countries the necessary policy space for implementing policies that promote debt management, economic diversification and sustained economic growth. Once the problem of African debt, especially that of the LDCs, had been resolved, there would be a need for financial assistance on a larger scale.

109. The representative of **Senegal** said that after two decades of initiatives to solve the African debt problem, better solutions were needed to enable the continent to allocate the greatest volume of financial resources to investment. As the Asian experience had shown, capital accumulation made it possible to start a sustained growth process. In this light, the heads of State of African countries had adopted, through NEPAD, plans to speed up African development by means of deeper economic integration. To that end, the international community should double its efforts in support of NEPAD. The UNCTAD report, in its assessment of the HIPC Initiative started in 1996 and enhanced in 1999, revealed the limitations of this mechanism, notwithstanding the progress made when compared with previous measures to solve the debt problem. One of the most problematic factors was the issue of how debt sustainability is analysed. Indeed, the summary of the UNCTAD report emphasized that the growth prospects for GDP and export revenues considered by the HIPC Initiative were too optimistic, partly owing to the fall in some commodity prices from the 1990s up to 2002. As a result, countries that were about to be able to join the Initiative found themselves with unsustainable debt levels.

110. Senegal fully endorsed the recommendations made by African experts during the meeting on African external debt held in Dakar in November 2003, and welcomed the UNCTAD report, which not only took some of those recommendations into account, but also proposed that the amount of resources needed to achieve the MDGs be used as an indicator to determine the level of debt relief.

111. The representative of **Egypt** stressed the importance of the issue under discussion since Africa had the largest number of LDCs and had a critical need for economic assistance. The question was whether all countries would benefit from membership of the world economic system, or whether the poorest countries would continue to suffer from obstacles to development and the heavy debt burden. The UNCTAD secretariat was congratulated on its report, which provided not only an excellent analysis, but also constructive recommendations and alternative options for African countries. The report correctly placed the issue of debt and its sustainability within the wider framework of the MDGs. It stated clearly that with the

continuation of the present debt levels, several countries would not be able to reduce poverty by 50 per cent within a century or more. This was a challenge for which there were a number of possible solutions, including debt forgiveness and reduction; speedy implementation of the HIPC Initiative; acceleration of the path towards decision point; implementation of the "additionality" concept; and consideration of domestic debt. There was a need for more relaxed debt sustainability indicators, and the structural changes taking place should be addressed by measures such as preferential treatment and supportive market penetration measures for African products in order to counter the unfavourable conditions of the international trading system. It was important to promote capital flows to African countries and increase the policy space available to African policy makers to allow them to design policies that would maximize the outcome of their development efforts.

112. The representative of **Switzerland** said that the UNCTAD report on Africa's debt sustainability provided an interesting picture of the magnitude of the debt crisis in African countries, particularly with regard to debt service payments. However, it had three major shortcomings. First, it was not well balanced in its assessment of the HIPC Initiative in that it did not discuss some of the significant progress made under the Initiative, the comprehensiveness of the Initiative, including multilateral debt write-off, the considerable reduction in the external debt burdens of heavily indebted poor countries and the link between debt relief and poverty reduction, the latter area being one in which Switzerland had been a forerunner during the 1990s with its concept of creative debt relief which emphasized linking debt relief to the establishment of development funds. Second, the report was not up to date as regards recent developments in the debate on dealing with Africa's debt distress, and its conclusions were generally abstract and failed to take account of the new debt sustainability analysis framework as well as recent proposals by the United Kingdom and the United States for a write-off of multilateral debt. Third, the report did not provide workable alternatives to stimulate debate.

113. Switzerland supported the view that national policies would need to underscore the interdependence between external borrowing and debt accumulation on the one hand and macroeconomic and balance-of-payments management on the other hand. The speaker also commented on the pace of implementation of the HIPC Initiative, interim debt relief, pre-decision-point and post-conflict countries, the choice of debt sustainability criteria, the savings of heavily indebted poor countries on debt relief and the call for an MDG-based approach to attaining debt sustainability.

114. The representative of the **United Kingdom** explained her country's initiative to provide deeper and wider debt relief for poor countries. Too many countries were still being forced to choose between servicing their debts and making the investments in health, education and infrastructure that would allow them to achieve the MDGs. Additional debt relief would therefore be provided to enable the world's poorest countries to make further progress towards those goals. It would be designed to ensure additional resources for financing the MDGs, equity between HIPCs and non-HIPCs and sustainability of the future financing capacity of the international financial institutions. The United Kingdom would pay its share of the debt service owed to the World Bank's and African Development Bank's concessional financing on behalf of eligible countries, which was estimated to be just over 10 per cent. It would continue to call for a revaluation or off-market sale of further IMF gold to fund the IMF's share of further multilateral debt relief. The additional support would be provided on an interim basis until a comprehensive multilateral agreement could be reached.

To ensure greater predictability of the flow of debt relief, the latter would be cut off only in exceptional circumstances.

115. The United Kingdom would be strongly pressing other donors to join this initiative and would use its influence to keep debt relief at the top of the international agenda. The additional debt relief would be available to all low-income countries with sufficiently robust expenditure management systems. The list would therefore include all those countries that had graduated from the HIPC Initiative, as well as a number of other countries that were capable of absorbing direct budget support. The list would not be closed, as any country that came to meet the eligibility criteria would be entitled to relief. A large increase in the United Kingdom's aid budget had been announced in a recent spending review. By 2007–2008 total aid would represent 0.47 per cent of gross national income, a real-terms increase of 140 per cent since 1997. Part of this budget increase was earmarked for the provision of further debt relief.

116. The representative of **Indonesia** said that it was unrealistic to expect African countries to achieve the MDGs without a concerted effort by the international community to address effectively the problems of debt, as well as other major economic and financial problems, experienced by African countries. Those countries would require policy space in order to pursue prudent debt management, economic diversification and sustained economic growth. Therefore, responsibility should be shared between creditor and debtor countries, and this should be complemented by favourable economic measures taken by the international community. The discussion on the debt problems of African countries was pertinent in conjunction with the new geography of trade discourse. The fact that many countries in Africa were excluded from the economic growth taking place in other parts of the world had caused grave concern. Some legitimate questions had been raised in the UNCTAD secretariat's background document regarding the level of, and criteria for, debt sustainability and whether debt write-off was a feasible approach. The question of level was significant for determining the criteria governing countries' eligibility to join a debt relief programme. The debt sustainability criteria should not use the arbitrary formula that tended to judge a country by imposing only a narrow set of criteria. If the objective of debt relief was to establish a link with poverty reduction, a more comprehensive approach would be required, one that used not only the monetary criteria but also the poverty reduction criteria.

117. While the importance of sound domestic policies for addressing the problem of debt was recognized, it was equally important that the international economic and financial system be conducive to the developing countries' efforts to solve the debt problem. The alternative approach suggested in the UNCTAD document, which indicated how to measure the debt relief that should be offered to heavily indebted poor countries and other poor debt-distressed countries, merited further consideration. It was crucial that debt relief policy contribute to growth and development in debtor countries on the basis of the MDG approach, and it was also crucial to integrate debt issues into poverty reduction strategy.

118. The representative of **China** noted that although the world economy was gradually moving towards a recovery, unbalanced development remained a problem, with the continued widening of the gaps between the North and the South as well as between the rich and the South. African countries in particular were faced with great difficulties, including low economic growth, increasingly heavy debt burdens, worsening terms of trade and a serious shortage of resources for development. The developed countries were the major beneficiaries of economic globalization because of their considerable power over decision-making on international rules and regulations, while African countries faced the danger of

marginalization. It was the responsibility of the international community to solve this problem – by adopting more effective measures aimed at creating a favourable economic environment for Africa's development. These should include reforming the international financial system, facilitating the flow of financial resources to Africa, and preferential and differential treatment in trade, as well as honouring commitments on ODA, debt reduction, reducing protectionism, opening markets and providing technology transfer on preferential terms. Furthermore, African countries should join international efforts to find appropriate policies and measures suited to their own specific situations.

119. The representative of **Japan** said that the third meeting of the Tokyo International Conference on African Development (TICAD) had been held in Tokyo in September 2003, the 10th anniversary of TICAD. Two main conclusions on the future development strategy of Africa had been reached: there was a need to concentrate efforts for Africa's development on the principle of ownership and partnership; and concerted action by the international community for a new partnership was required. The Japanese Prime Minister had stated at the meeting that three principles would underscore Japan's efforts for African development: (i) the development of human resources; (ii) poverty reduction through sustainable economic growth; and (iii) attainment of peace. South–South cooperation and the “security of the human being” were also emphasized. The Prime Minister had earmarked \$10 billion to help with the provision of safe drinking water, education and medical care, including HIV/AIDS treatment, in Africa. Japan would hold a TICAD Asia–Africa Trade and Investment Conference in November 2004 as a follow-up to TICAD III, the objective of which would be to examine concrete and meaningful proposals for Africa's development based on the Asian experience.

120. Within the TICAD framework, Japan had provided between 1998 and 2003 assistance with safe drinking water for about 4.6 million people in Africa, and educational facilities for about 2.6 million children, also in Africa, thereby contributing to the attainment of the MDGs. Japan was the largest contributor to debt relief for 27 heavily indebted poor countries. It had provided \$5.4 billion, which was about a quarter of the total contribution of the G8 countries to HIPC debt relief. Japan attached great importance to the smooth and expeditious implementation of the HIPC Initiative, and in 2003 had cancelled debts owed to it by six heavily indebted poor countries — Bolivia, Benin, Mauritania, the United Republic of Tanzania, Mali and Uganda. It had also provided grants to the United Republic of Tanzania and Ethiopia to facilitate the implementation of their PRSPs. The secretariat should make use of the new information available in its analysis of long-term debt sustainability, set out in paragraph 16 of its document on economic development in Africa (TDB/51/3). Japan was of the view that total debt cancellation would jeopardize the proper functioning of the Bretton Woods institutions.

121. The representative of the **United States of America** said that the strategies of the past were not sufficient to reform, diversify and energize African economies. Also, current economic growth rates were not sufficient for lasting poverty reduction. Africa was in urgent need of structural transformation and diversification, and debt relief and increased ODA were not the whole story. For Africa to succeed, the private sector should become the engine of growth and structural transformation. Debt relief for heavily indebted poor countries that demonstrated a commitment to sound macroeconomic and structural policies was strongly supported. Notwithstanding very significant accomplishments in this connection, some countries had not yet benefited from the HIPC Initiative, and an extension of the programme was therefore supported. Debt sustainability for the poorest countries called for more solutions and further measures to be considered. A key area where continued reform was

needed pertained to the acceleration of implementation of grant-financed projects on the ground and doing more to support debt sustainability in poor countries. For a prudent and sustainable path to financing for development and improved chances of attaining the MDGs, a new and bolder approach was needed, which should be guided by three principles. First, debt should be sustainable, as private investment required for economic growth and poverty reduction would not come in the context of unsustainable debt burdens. Second, loans should not be made when it was highly probable that they would be forgiven. Third, grant and debt relief should be significantly increased for the heavily indebted countries. Other proposals were welcome, including those that provided up to 100 per cent debt relief.

122. It was worth asking why some countries handled the debt burden better than others and what could be learned from these positive examples. Domestic governance and transparency played a central role, as corruption could reduce a country's growth rate. In this context, there was a broad-based anti-corruption/transparency initiative to help developing countries acquire the tools to strengthen domestic institutions and enhance transparency and accountability. Sound policies supporting private sector activities were also critical. The underdevelopment of the financial sector in many African countries severely constricted private sector development and creation of household and national wealth. The need to expand the financial services sector was of particular relevance, given the importance of remittances as a source of private capital in developing countries. As mortgage markets were also important for private sector and overall economic development, an African Mortgage Market Initiative was being implemented. There was disagreement about whether there was a universal consensus that greater "policy space" was needed to solve the debt crisis in Africa; rather, good policies were required.

123. The representative of **Morocco** said that a joint effort seemed to be the only durable solution to the debt problem. A concerted policy and strategy should be adopted at the global level. Several ideas had been put forward at various levels, starting with the United Nations Secretariat, and including initiatives of individual countries, for example those proposed in Monterrey, Bangkok and São Paulo. In this context, the HIPC Initiative in its original and enhanced versions had also provided some solutions for heavily indebted poor countries. This was an example of a concrete measure aimed at achieving the MDGs. However, the Initiative should be reassessed, and its criteria and modalities should be revised. In this connection, mention should be made of an important initiative regarding Moroccan economic relations with the least developed African countries, undertaken by Morocco in April 2000. It envisaged the elimination of all tariff barriers imposed on primary products imported from those countries and the cancellation of their external debt vis-à-vis Morocco. Although this might be regarded as a merely symbolic initiative, it should nevertheless receive the utmost attention from other countries, including the developing countries, and especially the developed countries and financial institutions. The Global System of Trade Preferences among Developing Countries was an appropriate context within which developing countries could take further steps. Furthermore, the initiatives taken by Canada and the United Kingdom should be regarded as good examples to be emulated.

124. The representative of the **United Republic of Tanzania** said that UNCTAD's report on economic development in Africa spelt out the problem of indebtedness and how it continued to stifle African economies, and went on to suggest workable solutions to the problem. The international community was called upon to address this bleak situation. While total multilateral and bilateral debt cancellation was recommended, this move should go hand in hand with making available adequate and predictable resources in the form of grants. The increased resources/ODA should be invested in the African economies so as to address

supply-side constraints and build up appropriate capacities in productive sectors, human development, institutions and so on. Also, a mechanism should be put in place to ensure effective resource utilization. Improved market access was of paramount importance to Africa. All subsidies and technical and non-technical barriers to trade should be eliminated so that African products could compete in the world's markets. It was of vital importance to ensure that policy space be made available to African countries so that they could organize themselves by building strong, diversified and competitive economies. The debt problem should be seen in the broader context of development. To solve it, as the UNCTAD report had emphasized, was necessary to take a holistic approach rather than a piecemeal one, the latter having proved to be both costly and inadequate in addressing this chronic and fundamental problem.

125. The representative of **Sudan** noted that some countries had been prevented from taking advantage of the HIPC Initiative for political reasons. The Sudanese delegation called on all parties concerned to keep the noble objectives of the HIPC Initiative free from political considerations. The reasons used as excuses to exclude some countries from the Initiative related to poverty and lack of resources. This exclusion would in fact increase poverty and the lack of resources, which would eventually lead to a further worsening of conflicts and confrontations. The HIPC Initiative should be expanded to include all heavily indebted poor countries without exception, and a mechanism should be established to compensate those countries currently excluded from the Initiative for the period of their exclusion. The enhanced HIPC Initiative should be in line with other development and trade initiatives, and the debt problem should be considered within a framework of partnership for development.

126. The representative of **Madagascar** said that his country considered the item under discussion to be extremely important, because the debt problem was a persistent one in Madagascar. The lack of rescheduling agreements between 1991 and 1996 had worsened an already difficult situation, and this had led to an accumulation of overdue external payments. By the end of 2002 external debt had reached \$4,587 billion, which represented 100.6 per cent of GDP. In terms of net current value and after traditional rescheduling, the debt amounted to \$2,277 billion, which was equivalent to 49.9 per cent of GDP, 211.3 per cent of export revenues and 624.7 per cent of tax revenues. Taking into account the interim assistance within the HIPC Initiative, the net current value of the debt stock amounted to \$1,397 billion, which represented 30.6 per cent of GDP, 129 per cent of export revenues and 383.3 per cent of tax revenues. Financial resources should be invested in public programmes in order to halve the poverty rate within 10 years. As stated in the Poverty Reduction Strategy Papers, \$1.9 billion over the period 2004–2006 would be required in order to achieve that objective. This amount did not include additional resources, which were estimated at about \$1 billion. External financing was thus still an unavoidable necessity. An approach based on the MDGs was the most pragmatic solution for achieving a sustainable debt level and the least costly way to honour the debt service. The Bretton Woods institutions should facilitate LDCs' access to the HIPC Initiative and invite creditors to write off the debt of poorer countries.

Action by the Board

127. At its 963rd (closing) plenary meeting, on 15 October 2004, the Board adopted agreed conclusions 480(LI). (For the agreed conclusions, see TD/B/51/8(Vol I)).

128. The representative of **Cuba** said that debt was an issue of prime importance. Her delegation regretted that the original, more ambitious proposals had not been adopted as part of the agreed conclusions. Nevertheless, the agreed conclusions represented a first step forward, and what was important now was to maintain the momentum and move on to concrete action.

CHAPTER V

REVIEW OF DEVELOPMENTS AND ISSUES IN THE POST-DOHA WORK PROGRAMME OF PARTICULAR CONCERN TO DEVELOPING COUNTRIES

(Agenda item 6)

129. For its consideration of this item, the Board had before it the following documentation:

“Review of developments and issues in the post-Doha work programme of particular concern to developing countries: Note by the UNCTAD secretariat” (TD/B/51/4);

“Assuring development gains from the international trading system and trade negotiations: Background note by the UNCTAD secretariat” (TD/397);

“Assuring development gains from the international trading system and trade negotiations—Implications of ATC termination on 31 December 2004: Note by the UNCTAD secretariat” (TD/B/51/CRP.1).

130. The **Officer-in-Charge of UNCTAD** said that UNCTAD had endeavoured to play an active supportive role to make the development promise of Doha a reality through technical assistance activities, analytical research work and intergovernmental deliberations and consensus-building. Since 2002, the Board had conducted an annual review of developments and issues in the post-Doha work programme of particular concern to developing countries. It had been generally recognized that the high-level international attention thus brought to bear on the Doha negotiations had had a positive impact on the negotiations and had helped sustain their development focus. UNCTAD's commitment to the multilateral trading system had been further reinforced at UNCTAD XI through the São Paulo Consensus and the Spirit of Sao Paulo. It was acknowledged that all countries had a shared interest in the success of the Doha Work Programme, which aimed both at further increasing trading opportunities and reducing barriers to trade amongst nations and at making the trading system more development-friendly. This would contribute to the objective of upholding and safeguarding an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system, as provided in the Millennium Declaration and the Monterrey Consensus and further reaffirmed by the São Paulo Consensus. UNCTAD XI had also emphasized that the integration of developing countries into the multilateral trading system must be beneficial in terms of ensuring that development gains actually accrued to developing countries. Equally important, UNCTAD XI had acknowledged that the multilateral trading system was an essential part of the broader international system of trade, which also included regional, subregional and plurilateral trade agreements and arrangements. UNCTAD was particularly keen to explore the interface between the multilateral trading system and regional trade agreements to assert the development dimension and maximize their complementarity.

131. The **Director of the Division of International Trade in Goods and Services and Commodities** said that the twin mandate of UNCTAD vis-à-vis the WTO negotiations consisted of, firstly, upholding and safeguarding an open, rule-based, non-discriminatory, predictable and equitable multilateral trading system, and secondly, assuring development gains from the international trading system and trade negotiations and thus helping the attainment of the MDGs. UNCTAD would continue to assist Member States in making the Doha negotiations, and the international trading system, vehicles of development solidarity.

The insights and political will generated by the UNCTAD XI process had impacted on the Doha negotiations. The lessons learnt from Cancún—in terms of both process and substance—needed to be addressed before negotiations could be rescued from a dead-end. The WTO July Package was a positive development as it signalled that the Doha negotiations were back on track. It also presented challenges and opportunities to ensure that the negotiations were on the right development track in respect of agriculture, non-agricultural market access, services, trade facilitation, and special and differential treatment. Multilateral trade negotiations would need to deliver a modicum of development gains. Given the complex negotiating environment, developing countries needed to evaluate the overall impact of both positive and defensive trade strategies in terms of a “responsive agenda” in multilateral and regional trade negotiations. Such an agenda should ensure a balance across the entire range of issues and sectors involved in the negotiations. The issue of the implementation capacity constraints of developing countries and their inability to meet adjustment costs arising from trade agreements could no longer be treated as a minor, short-term side-effect of good medicine. Multilateral rules should therefore take into account developing countries' capacity for implementation, as well as providing for additional international support to take care of adjustment costs. The importance of empowering developing countries in terms of developing the necessary trade-related infrastructure, not only to comply with obligations but also to make use of rights and opportunities, through deeper capacity building support had been recognized.

132. The ending of 40 years of discriminatory protectionism against developing countries' exports of textiles and clothing on 31 December 2004 would be a landmark. There should be no attempt to replace quotas with other trade protection instruments. All countries would be called upon to make the necessary efforts to maintain or increase their competitiveness. LDCs and small countries dependent on textiles and clothing exports would need support through better preferential access and provision of appropriate adjustment resources. Finally, UNCTAD provided a strategic overview of where the Doha negotiations stood in the larger universe of the international trading system and in the totality of trade negotiations, including regional trade agreements developed on a North-North, North-South, and South-South basis.

133. The **Director General of WTO** said that the Trade and Development Board's review provided an appropriate opportunity to assess the progress made on the Doha agenda and look forward to what lay ahead. Integrating developing countries into the trading system was one of the foremost challenges facing the WTO today. The adoption of the July Package by the WTO had put the Doha agenda negotiations back on track. Framework agreements were now in place for the negotiations on agriculture – including cotton – and non-agricultural market access. Members had also agreed to a package on development issues and taken a decision to begin negotiations on trade facilitation. The July Decision had been possible due to the sustained efforts made by all WTO Members in ironing out differences to arrive at a consensus decision. At the same time, it was important to keep in mind that the Decision did not herald the end of the Round; it provided a launching pad for further work that would enable Members to sign off on the Doha Round in due course. Agriculture was, and would remain, a key issue for all, but in particular for many developing countries. For the first time, Members had agreed to eliminate all forms of agricultural export subsidies by a date to be determined through negotiations. They had also taken on serious commitments to substantially reduce and otherwise discipline trade-distorting domestic support in agriculture. As part of this agreement, Members had achieved a breakthrough in cotton, which was so important to cotton farmers in developing countries, particularly the least developed countries

in West Africa. While the negotiations on non-agricultural market access and services were very important and had a number of elements of particular concern to developing countries, it was the language on trade facilitation that best reflected the desire of WTO Members not only to take into account the constraints faced by developing countries, but also to address their specific concerns relating to their implementation capacities and investment means. At the same time, Members had committed themselves to adequately ensuring support for technical assistance activities during the negotiations. Finally, as regards development issues, prominence was given in the Decision to the mandate of making existing special and differential treatment more precise, effective and operational by a deadline of July 2005. Members had also agreed that, in the ongoing market access negotiations, special attention would be given to the specific trade and development related needs and concerns of developing countries, such as capacity constraints, preference erosion, food security and rural development. The coming months would be crucial, and WTO Members would not only need to demonstrate the requisite political will and flexibility, but would also have to be prepared to work on the basis of realistic ambitions to achieve the goals set out in the Doha agenda.

134. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, reiterated the importance of the São Paulo consensus, as it reaffirmed the importance of addressing the significant asymmetries between developed and developing countries; the importance of improving domestic supply capacity in developing countries to enable them to strengthen their participation in dynamic global value chains; the need for legitimate policy space for developing countries; and the need for increased and effective market access and entry conditions in agriculture, manufactures and services exports of developing countries. With respect to the July Package of the WTO, this was only the beginning of a new phase, and it was important to ensure that the development promises of Doha were effectively reflected in both market access and rules; the development benchmarks to be developed by UNCTAD would be useful in that connection. The post-July-Package negotiations should ensure an open, transparent, inclusive, democratic and more orderly process, as process and substance were inseparable. They should also address the specific concerns of developing countries, for example in respect of erosion of preferences.

135. Resolving the implementation-related issues of developing countries and the LDCs and fulfilling the Doha ministerial mandate on special and differential treatment (SDT) within the agreed timelines would be the litmus test in determining whether development was central in the Doha work programme, and these concerns should be addressed before developing countries were required to accept new obligations. Additionally, technical assistance and capacity building should be provided in difficult areas such as the Agreement on Technical Barriers to Trade and the Agreement on Sanitary and Phytosanitary Measures. With respect to the Doha work programme, agriculture remained the most important area for the Group of 77 and China. The Group looked for an expeditious and credible deadline for the elimination of export subsidies; substantial reductions in trade-distorting domestic subsidies; substantial improvements in market access; and operationally effective SDT provisions in all three pillars of the reform programme that took into account food security concerns of developing countries and the LDCs and the concerns of the net food-importing developing countries. The concerns of cotton producers and the marginalization of the LDCs should also be addressed. With respect to NAMA, the details of the Framework needed to be further negotiated, and SDT for developing countries needed to be further defined. The Group of 77 and China also expressed its concern with respect to the negative effects on some developing countries and LDCs of the impending elimination of quotas on textile and

clothing products. On services, the Group of 77 and China reiterated the importance of meaningful and effective commitments, including in Mode 4 in all levels of skilled and unskilled labour, while in the area of regional trade agreements (RTAs), the Group attached importance to clarifying the need for coherence between RTAs and the multilateral trading system. On South-South trade and the new geography, the Group of 77 and China reaffirmed its commitment to the re-launched GSTP. The Group also reiterated the importance of accelerating the accession process of all developing countries, in particular the LDCs, to the WTO – without political impediments – through the effective and faithful application of the WTO guidelines on accession of the LDCs on terms commensurate with their level of development.

136. The representative of the **European Community** said that the WTO framework Agreement of 1 August had put the Doha round back on track. It set out the parameters for negotiations on agriculture, market access for non-agricultural products, trade facilitation, development issues and services, and identified the next WTO Ministerial Conference (December 2005) as the next major staging post in the negotiations. Countries should aim to achieve maximum progress by then so that the round could be concluded as soon as possible thereafter and in any event during 2006. That implied comprehensive progress across all areas under negotiation within the single undertaking. The Framework Agreement renewed members' commitment to capacity building and trade-related technical assistance, to giving special attention to LDCs' needs, to reviewing and strengthening special and differential treatment for developing countries, and to addressing members' implementation-related concerns.

137. Negotiations since Cancún had demonstrated the strength and viability of new alliances among WTO members in which developing countries had actively participated, including collaboration with developed countries on issues of common interest. The framework on agriculture, in the attainment of which the EC had been instrumental, encompassed the elimination of export subsidies and a substantial reduction in trade-distorting domestic support. The framework also responded to African countries' request to give special attention to the cotton sector, promising even more ambitious results. The EC's own ongoing domestic process of CAP reform would now be consolidated into an international framework. On non-agricultural market access, the WTO members had agreed to pursue negotiations on the basis of a set of precise guidelines incorporating an ambitious non-linear formula, implying deeper cuts for higher tariffs, a sectoral component, and orientations for negotiations on non-tariff barriers. At the same time, the framework provided for special and differential treatment that went beyond simply envisaging longer implementation periods. LDCs would be exempted from any tariff reduction, while both developed and more advanced developing countries were again called upon to provide tariff and quota free market access for LDC exports. On services, the July Framework gave a boost to the ongoing negotiations by setting May 2005 as the date for members to table initial or improved offers.

138. On development, the July Framework reaffirmed the importance of special and differential treatment, implementation issues and technical assistance, in addition to many development-related aspects treated in more detail in individual parts of the Framework. Regrettably, however, the need to respond in a horizontal manner to the particular constraints and challenges faced by those weaker and more vulnerable developing countries that were not among the LDCs had not been fully taken on board in the Framework, leaving the

appropriate solutions still to be negotiated. On trade facilitation, the agreement to launch negotiations also set out the broad parameters for the exercise, and addressed concerns raised by some developing countries on technical assistance, support for capacity building, implementation aspects, timing of entry into force of commitments, and others.

139. The EC would respect the deadlines set for the last phase of quota elimination under the Agreement on Textiles and Clothing. It also took seriously the concerns raised by developing countries that doubted their own ability to compete in a world without quotas, and thus provided preferential access to the EU market that partly offset those countries' competitive disadvantages. Also, the EC channeled significant amounts of assistance and aid to projects aimed at improving the competitiveness of this sector in recipient countries. The potential benefits of trade in the sector would be more widely distributed if other, more advanced developing countries were to provide equivalent preferential access, especially to the LDCs.

140. The representative of **Mexico**, speaking on behalf of the **Latin American and Caribbean Group**, reiterated the Group's commitment to an open, rule-based, fair, predictable and non-discriminatory multilateral trading system and to the success of the Doha Work Programme (DWP). The agreements reached in the Monterrey Consensus, the São Paulo Consensus and the 1 August decision of the WTO General Council adequately reflected the basic commitments that could ensure that multilateral trade negotiations would provide benefits to all participants, in particular to developing countries. Those agreements demonstrated that the development dimension could not, and should not, be absent from trade negotiation processes, and reflected countries' clear conviction about the benefits of the multilateral trading system under the WTO. His Group was confident that the DWP would follow a constructive path taking account of the needs of all concerned, in particular developing countries.

141. Trade was not an end in itself but a means for economic growth and development and for fighting against poverty. Each country was responsible for its own economic and social development, but achieving that development would only be possible in a favourable international environment that gave priority to the needs and interests of developing countries. In this context, development aid commitments must be completely fulfilled, otherwise the principle of shared responsibility, on which international development agreements and the fight against poverty rested, would be reduced to simple rhetoric. The DWP could only be optimally developed to the extent that basic issues were addressed from this perspective. UNCTAD had a significant role to play in the process, in particular through technical assistance and capacity building programmes and through assessment of alternatives and the implications of sensitive issues in the agenda. As reiterated in the São Paulo Consensus, UNCTAD had a mandate to ensure that adequate human and financial resources were available to address technical assistance and capacity building needs in the present phase of negotiations, and UNCTAD activities and programmes responding to the increasing needs of countries in the Latin American and Caribbean region should be expanded.

142. Agriculture was one of the key issues for a successful conclusion of the DWP. Both the São Paulo Consensus and the 1 August WTO Agreement recognized that distortions of agricultural trade should be eliminated or substantially reduced, and that development concerns should be an essential part of negotiations. Satisfactory results for all parties could be achieved if that perspective was honoured. His Group recognized the difficulties being

confronted in the services negotiations, as manifested by the limited number of initial offers and by the fact that those tabled to date did not address the interests of developing countries in terms of sectors and modes of delivery. This was particularly evident regarding Mode 4. Furthermore, the limited results obtained in rules negotiations, in particular on domestic regulation, were a matter of concern. The time frame established for fulfilment of the 1 August decision must be duly respected, and the developmental objectives of the round should be clearly expressed.

143. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, said that part of the positive energy that had re-energized the Doha Work Programme had been radiated by UNCTAD XI. As regards the Doha Work Programme, the Asian Group and China reiterated the importance of legitimate policy space for developing countries; ensuring coherence between national development objectives of developing countries and the objectives set in bilateral, regional and multilateral trade negotiations; and an early harvest in terms of the development content so as to restore the confidence of developing countries in the multilateral trading system. In this regard, the term “development” should encompass each and every area of the negotiations. Similarly, the principle of S&D treatment, as well as the principle of less-than-full reciprocity, needed to be operationalized. Agriculture remained the most important area, and the outcome there must respond to the imperatives of ensuring food security, rural development, including modernization of the agricultural sector, and alleviation of rural poverty. The reductions in domestic support should be meaningful and substantial for all products of export interest to developing countries, and there must be stringent criteria for the blue and green boxes to prevent box shifting. A credible date for the elimination of export subsidies would be crucial too. Similarly, the market access formula that was agreed to should effectively eliminate tariff peaks and tariff escalation in developed countries for products of export interest to developing countries. For NAMA, the Group reiterated the importance of an approach that would result in a fair and equitable outcome that took its developmental concerns on board, since tariff policy was a tool for economic development. The SDT provisions in the current framework text were useful but would need to be strengthened. In services, the Asian Group and China also wanted meaningful market access commitments by its developed country partners in sectors of export interest to the Group. In this regard, the asymmetries in the Uruguay Round commitments on mode 4 needed to be corrected. The Group also sought UNCTAD’s assistance in trade facilitation, particularly to enhance its negotiating capacity and the development impact assessment of various policy options. It hoped that the abolition of quotas on textiles and clothing would not result in the introduction of other non-tariff barriers or the use of trade remedy instruments such as anti-dumping or safeguard measures. UNCTAD should continue its work in the area of competition policy and investment, as well as new areas of work identified at São Paulo.

144. The representative of **Nigeria**, speaking of behalf of the **African group**, said that, for developing countries, trade was important because of its contribution to economic development. It was not an end in itself, but a means to growth and development. A number of important elements contained in the São Paulo Consensus had a bearing on the ongoing multilateral negotiations, such as the need for policy coherence, the inclusion of policy flexibility for developing countries, the provision of technical assistance and the need for substantial progress on issues of vital importance to developing countries under the Doha Work Programme (DWP). He welcomed the impetus provided to the Doha negotiations by the July Framework and asserted that the needs and interests of developing countries lay at the heart of the DWP. Preference should be given to multilateralism over unilateralism or

bilateralism, especially since the latter were more costly and less efficient. Bilateral and regional trade agreements should be building blocks of the international trading system. As the development dimension was at the core of the Doha negotiations, considerations of the July Package should start with the examination of the treatment of development issues, notably special and differential treatment and implementation-related concerns. The latter should be addressed before the expansion of developing countries' obligations in a new Round.

145. He expressed concern about the ineffective utilization of trade preferences by developing countries due to lack of predictability as well as onerous rules of origin requirements. The inability of most African countries to overcome technical barriers to trade was also compounded by erosion of preferences due to trade liberalization. In accordance with paragraph 86 of the São Paulo Consensus, positive measures should be formulated and implemented to mitigate the adverse impact of the erosion of preferences. Agriculture was a central element in the current negotiations, and he welcomed the progress made in the July Framework. The outcome of the negotiations must be balanced and coherent within and between the three pillars of agriculture and must provide for flexibilities for developing countries. The issue of cotton also remained an important element of the negotiations. The Agreement on Textiles and Clothing would expire in January 2005, and some African countries might face difficulties in that connection. However, it would be wrong to extend the discriminatory carve-out of the textiles sector from progressive liberalization. He expressed concern about the low participation of African countries in the services negotiations, which was caused by lack of data, and he called for technical assistance to undertake in-depth assessments to identify potentials. UNCTAD's role and assistance was very welcome for African countries, particularly in the implementation of JITAP. The recent launch of the African Trade Capacity Building programme was particularly welcome. It was crucial for African countries to be kept abreast of the key issues of priority to them in the multilateral trading system and to enhance their understanding of these issues.

146. The representative of **Benin**, speaking on behalf of the **least developed countries**, said that UNCTAD's review of post-Doha work provided a very useful basis for putting the negotiations and the Doha Round mandate in their exact context. The failure of the Cancún Conference had left wide open the issues of special and differential treatment and flexibilities and improvements in market access for agricultural and non-agricultural products. Accordingly, particular attention should be accorded to these issues in the negotiations, considering the predominant role of agriculture in the economies of LDCs. The capacity of LDCs to produce and export had been further reduced by high tariffs, tariff escalation and peaks, export subsidies, internal support and a number of non-tariff barriers. Taking into account the actual difficulties of the developing countries and LDCs in particular in international trade would improve their participation in international trade and give a veritable impulse for their development. With regard to cotton, four LDC cotton producers were seriously affected by the massive subsidies granted by certain WTO members for the production and export of cotton. The gravity of the situation called for an urgent, equitable and durable solution involving the elimination of the subsidies, which were trade-distortive and against the rules and principles of international trade. Similar structural and asymmetric constraints existed also in market access for non-agricultural goods. If not carried out carefully, the dismantling of tariffs envisaged for trade in non-agricultural goods would result in strong tariff erosion, and appropriate mechanisms would be required to tackle the losses of revenue, which might be grave for single-commodity exporters.

147. The LDCs welcomed the adoption in the WTO of the modalities for special treatment for least-developed country members in the negotiations on trade in services. As recognized in the Dhaka Declaration, the services sector was the most dynamic one in the growth of the GNP of numerous LDCs, playing also an essential role in the realization of socio-economic development. The multilateral, regional and bilateral development partners of the LDCs were requested, as a matter of priority, to provide the necessary technical assistance to reinforce the LDCs' national services capacities, as well as their institutional and human capacities, including through the reform of regulatory frameworks. Technical cooperation and capacity building were essential elements of the development dimension in the multilateral trading system, and trade-related technical assistance was indispensable in helping the LDCs to increase their production capacities for trade and ensure their effective participation in multilateral trade negotiations.

148. The adoption of the WTO decision related to the implementation of Article 6 of the Doha Declaration on TRIPs and public health was a major act in terms of seeking appropriate solutions for the grave public health problems confronted by developing and especially least developed and African countries. As regards the Singapore issues, the issues of investment, competition, trade facilitation and transparency in government procurement were important in respect of promoting international trade, but the various country-specific and issue-specific implications would have to be identified and clarified. Finally, he hoped that the Guidelines for LDC Accession would be applied effectively in the accession of further LDCs to WTO.

149. The representative of **Egypt** said that the multilateral trading system should be beneficial for all countries, but that each country should be able to integrate itself into the system at its own pace. There was a link between the consensus reached in São Paulo at UNCTAD XI on key trade and development issues and the conclusion of the WTO July package. UNCTAD XI had confirmed UNCTAD's role as a consensus-building forum, a think-tank, and an organization that put forward original and innovative ideas in areas of international trade and development. The São Paulo Consensus was of great relevance to developing countries in two particular areas, namely policy space and corporate responsibility. While the new trade geography was taking shape, which confirmed that countries might change their strategic position within international trade and assume more dynamic roles, trade negotiations still represented a major challenge for most developing countries due to the complexity of the issues at stake. UNCTAD had a key role and a unique mandate in supporting developing countries during the process and exploring the development dimension of the negotiations through intergovernmental deliberations, analysis and technical cooperation activities.

150. The representative of **India** said that the success of UNCTAD XI had sent a positive impulse to the WTO negotiations in progress towards the July Framework, which provided another opportunity to make the Doha round truly a "development round". India, which had registered impressive rates of growth, was still facing the challenge of ensuring that these benefits percolated to the poor, particularly in the rural areas. 650 million people in India were dependent solely on agriculture, and their development was affected by food security and livelihood concerns. Thus, rural development was a priority. Agriculture and agricultural subsidies had been a stumbling block in the WTO negotiations. Rectifying the existing artificial situation and levelling the playing field was key to removing asymmetries in international trade. In addition, the Doha round was about development and was intended to address the concerns of developing countries, including improved market access, price

stabilization for exports, reduction of market entry barriers for their goods and services exports, special and differential treatment, and policy space to deal with sensitive products. In services negotiations, a balance of benefits could accrue to the extent that services providers from developing countries were allowed to supply services either from remote locations or through temporary movement of natural persons. All countries would gain from the removal of tariff quotas affecting textiles and clothing products and their full integration under WTO disciplines. However, the imminent end of quotas had already encouraged protection-seeking interests to call for anti-dumping actions to preserve their positions in the market. Other measures had also become instruments of protection, including rules of origin, access to distribution channels, and labour and environmental considerations. UNCTAD should play a watchdog role to consider how such practices could be addressed and assist affected developing countries.

151. The representative of **China** said that an equitable, rational and healthy international multilateral trading system was needed that shared the gains from globalization and gave developing countries a new opportunity to participate in the multilateral trading system and integrate into the globalized world economy. The realization of development interests would be an important yardstick of the fairness of the system. However, developing countries, and the LDCs in particular, were confronted with difficulties and obstacles in their efforts to participate genuinely in trade and trade negotiations. The Doha negotiations should focus on issues of special interest to developing countries, such as special and differential treatment, commodity dependence, net food imports, food security and rural development, and practical steps should be taken by developed countries against trade protectionism. Developing countries needed increased technical cooperation to improve their negotiating skills and achieve effective market access and entry.

152. China had a special interest in agriculture and supported setting a target date for the eventual elimination of export subsidies in the framework agreement, complete elimination of export subsidies, substantive reduction of trade-distorting domestic support, and granting of special and differential treatment to developing countries. It was concerned about problems of newly acceded WTO members who, after having paid a huge accession price, were confronted with new burdens and challenges. Such problems should be addressed at the next stage of the negotiations. His country welcomed the integration of trade in textiles and clothing into the multilateral trading system and was opposed to new protectionist measures that would impede the normal functioning of trade in textiles and clothing. China's interests also included trade and environment issues. The success of UNCTAD XI, the São Paulo Consensus and the Spirit of São Paulo would foster confidence in the multilateral trading system and contribute to the Doha agenda. Finally, the concerted efforts of the entire international community would bring the Millennium Development Goals closer.

153. The representative of the **Islamic Republic of Iran** agreed with the secretariat's note on the important issues arising from UNCTAD XI, to which could be added innovative financing mechanisms, corporate social responsibility, ICTs for development, partnerships for development, the impact of security measures on trade, special needs of transit countries, and inter-agency cooperation. The absence of some of the most important energy exporters in the decision-making process of WTO was an impediment both to their development strategies and to the possible identification of long-term solutions in this sector at international levels. The challenges faced by some developing countries in accessing all kinds of energy, especially after the recent oil price hikes, would undermine their efforts to achieve

sustainable development. Recent initiatives such as the UN Energy Task force, the preparation of the UN Energy Programme, the dialogue between producers and consumers and the involvement of international and regional organizations in different initiatives could facilitate long-term cooperation among stakeholders. UNCTAD should actively participate in this process and make recommendations to both producing and consuming countries based on the mandate in paragraph 100 of the São Paulo Consensus. Regarding the July Package, he hoped that the spirit of mutual understanding and cooperation that had led to its adoption would prevail among all countries. The formation of groups like the G-20, G-33 and G-99 and the effective participation of India and Brazil in the preparation of the July package were stimulating developments. The launching of the third round of GSTP negotiations in São Paulo represented an effective step in promoting South-South relations. Cooperation must be strengthened between UN specialized agencies, WTO, international monetary/financial organizations and regional organizations.

154. The representative of **Kenya** said that the decision on the agricultural negotiations should be in accordance with the Doha mandate, and the negotiations should take into account the tariff structures and development objectives of developing countries. Non-tariff issues should be addressed, even though they did not feature in Annex A of the July package. In the NAMA negotiations, reforms undertaken by African countries under structural adjustment programmes should be factored in, and credit should be given for the unilateral liberalization undertaken. Kenya was participating actively in the services negotiations, with the assistance of UNCTAD under JITAP. Experience had shown that services negotiations were complex, and technical assistance should be extended to other African countries to assist them in identifying their interests. Development should be at the core of the Doha negotiations, and to this end special and differential treatment and implementation issues should be addressed in a fair manner in all parts of the negotiations. Finally, he called on donors to support trade-related capacity building programmes.

155. The representative of **Bangladesh** said that the July Package had put the Doha Round negotiations back on track, and set priorities and parameters for future negotiations. The challenge was to ensure that the ambitions generated at Doha were not lowered, including those for a development-friendly outcome. The interests of certain groups had been well protected, as could be seen, for example, from the breakthroughs in some areas such as trade facilitation and in agriculture, which could bring about meaningful results. However, the complexities in these negotiations, and in protecting the interests of developing countries in non-agricultural market access, might raise doubts in this regard. He hoped that the agreement to negotiate on trade facilitation, and on none of the other three “Singapore issues”, would be followed in the WTO, since the multilateral trading system had already gone too far in undermining domestic policy space. There might have been a step back for the LDCs, since in Cancún WTO members had been nearing a consensus to provide LDCs duty- and quota-free market access in both agriculture and non-agricultural market access, whereas in the July Package the commitment on agriculture was on a best endeavour basis and the commitment on non-agricultural market access was less than mandatory. Also, there had not been any significant movement in providing effective market access within mode four in services, and no concrete step in fulfilling the mandate under TRIPs Article 66.2. Countries that relied heavily on textiles and clothing would face daunting challenges with the phase-out of quotas under the Agreement on Textiles and Clothing. Although not so designed, the quota system had actually helped the growth of these sectors in many countries. Countries with economies of scale would have an advantage and crowd out others, particularly the smaller exporters, since the gradual erosion of preference margins was not built into the Agreement

on Textiles and Clothing, suggesting losses of market shares for the LDCs. UNCTAD had an important role to play in advising LDCs on the post-ATC world.

156. The representative of **Chile** said that expectations for the Hong Kong Ministerial Meeting were high, but it could not be expected that negotiations would be concluded there, and the true driver of the negotiations was the Geneva process. UNCTAD could contribute to the process by helping developing countries to participate effectively in the negotiations. Markets did not operate on the basis of a North-South divide, and it would therefore be necessary to be very imaginative in dealing with provisions on special and differential treatment. There were differences among developing countries on issues on the agenda in the agricultural negotiations, and the formula for the NAMA negotiations would have to be considered carefully, though deep cuts in tariffs by all members would be positive for developing countries' exports. With respect to preferences, care would be necessary, because there was a risk that some members could hide behind the issue for protectionist purposes. In services negotiations, the relative absence of initial offers would have to be addressed shortly, otherwise the process could be seriously jeopardized. The issue of emergency safeguard measures should be carefully assessed due to the fact that an adequate solution had still not been found. Such measures would be applied not only by developing countries but also by developed countries, and could affect particularly Mode 4. The new approach to S&D treatment in the area of trade facilitation was positive and would be useful for targeting technical assistance. Implementation should not be hostage to geographical indications. Finally, with respect to the issue of policy space and North-South agreements, the latter had not affected policy space; on the contrary, countries had gained from such agreements.

157. The representative of the **Philippines** said that there should be a greater role for developing countries in global economic decision-making. The importance of South-South trade was increasing, and a group of developing countries had played an active and constructive role in the process leading up to the July consensus. UNCTAD should provide technical assistance to build up developing countries' capacity to negotiate and to find common areas for cooperation. It would be important to maintain the complementarity of the UN system and the WTO on development, an area where UNCTAD could provide support and be innovative where necessary. A comparative-advantage-based approach might be detrimental to development needs and interests. UNCTAD and WTO had to work more closely to maximize the development benefits from the multilateral trading system. The UN had to retain its central role in promoting multilateral cooperation and development, while the WTO dealt mainly with trade growth and related issues. The UN system and UNCTAD had to ensure the fulfilment of the development agenda and maximize contributions towards the attainment of the MDGs. UNCTAD should play a similar role regarding other multilateral institutions having an impact on development, including WIPO, and regional and inter-regional fora, including APEC, ASEM and FEALAC. It should strengthen its analytical work within a development cooperation framework incorporating the concept of policy space, which would provide a basis for further cooperation between developing and developed countries.

158. The representative of **Zambia** said that there was a need for a strategic road map for the successful conclusion of the Doha Round with a real development dimension. While Zambia was in favour of a rule-based multilateral trading system, it also stressed the importance of differentiation between countries. The Uruguay Round had provided a number of lessons in the area of policy space, implementation issues and SDT, and the mistakes of

the past should not have been repeated in the current round. SDT provisions should now be made mandatory, along with technical assistance to better ensure effective participation by all WTO members. While the July Package was an encouraging sign, its real translation into development-oriented results remained to be tested, particularly with regard to the negotiations on agriculture and NAMA. A development-oriented round should produce development-oriented results and flexibility. As the LDCs' share in world trade was still declining, more attention should also be given to market entry barriers such as SPS measures, TBT and rules of origin, since these were the new real protectionist barriers. The WTO July Package, by not requiring LDCs to take on commitments, represented a positive development. Yet Zambia would like to see even more provisions that were consistent with development needs. In this regard, the wording used for the forthcoming negotiations on trade facilitation seemed to be quite promising. Finally, to take full advantage of the multilateral trading system, it would be of paramount importance to invest more in production and overcome supply-side constraints.

159. The representative of the **United States of America** said that the July General Council Decision was an important result for the rules-based multilateral trading system, and it should contribute to the completion of modalities and the Round, although the hardest work still lay ahead. The spirit of good will that had surrounded UNCTAD XI had contributed to the subsequent consensus on the July Package and to the advancement of the agricultural talks. The combination of Ministerial-level meetings and the intensive dialogue before and at UNCTAD XI had ultimately helped to create a positive atmosphere that was not only North-South oriented but incorporated a broad range of views encompassing North-South and South-South considerations. The July Package addressed the core elements of the negotiating agenda, and an ambitious result on these would be the greatest contribution towards realizing the development promise of the Doha development agenda. While the July Package indicated the maturation of the negotiations, it had to be kept in mind that there was a healthy diversity of interests and alliances on various issues that reflected individual economic aims and situations – often transcending simplistic North-South characterizations. The United States was looking forward to the launch of negotiations on trade facilitation and the probable removal of the term “Singapore issues” from the lexicon. The modalities for the talks should leave room for an ambitious and creative approach. The work would move beyond the outdated “one size fits all” approach, addressing the specific and individual situations of developing countries. As regards the subject of policy space, the long negotiations in São Paulo had been factually reflected in the outcome of the Conference, but there was no mandate for further work on the policy space issue in UNCTAD. Finally, the United States looked forward to continued progress on the Doha Work programme.

160. The Representative of **Argentina** said that the new developments in trade and the new trade geography were a positive phenomenon from a developmental and poverty reduction perspective. However, the concentration of the new trends in some regions was a matter of concern. South-South trade was mainly intra-regional, and in this regard the launching of negotiations under the GSTP, considered to be one of the most significant outcomes of UNCTAD XI, could contribute significantly to enhancing inter-regional trade. The GSTP should incorporate mechanisms responding to members' needs. The Latin American and Caribbean region had extensive experience with South-South integration, and a considerable number of new initiatives had emerged, along with mature processes of negotiation. However, North-South agreements were a relatively new phenomenon, in which asymmetries existed that were difficult to overcome. These agreements were a new generation involving

complex and new issues such as investment, services, intellectual property, competition and environment. They represented a formidable challenge in terms of both negotiation and implementation. His country regarded such agreements as being important, without prejudice to the importance it attached to the multilateral trading system. Finally, the Doha Work Programme would be successful only to the extent that it gave content to developmental concerns.

161. The representative of **South Africa** stressed that UNCTAD XI and the July Package had added important dimensions to the development discourse and would define the future of the multilateral trading system. The July Package was largely attributable to UNCTAD XI, and there was no doubt that UNCTAD played a critical role in the multilateral trading system. The secretariat's note provided an excellent assessment of the July Decision, which reaffirmed the value of multilateralism and the centrality of development concerns and ensured focussed future negotiations. The WTO negotiation process had been improved markedly, and coalitions had proved effective. Agriculture remained a key aspect of the development agenda, and success would be measured by the extent to which developed countries reduced domestic support and export subsidies and improved market access. Trade in commodities remained at the heart of Africa's poverty-trap. The resolution of longstanding implementation issues regarding SDT was critical in fulfilling the Doha development agenda. SDT should not be confused with the broader development dimension. On NAMA, developing countries had real difficulty in accepting the Derbez text as a basis for further negotiations and thus proposed language that reflected their concerns. There were deep-seated concerns that the trading system increasingly depended on a few growth poles due to uneven distribution of demand, and in that connection new negotiations on GSTP would provide impetus for South-South trade. Finally, the success of the Doha negotiations would be measured against the degree of attainment of the MDGs.

162. The representative of **Indonesia** emphasized the importance of ensuring that the development promises made at Doha be realized and that the expectation that the Doha development agenda could put right the imbalances and inequities of the current multilateral trading system be fulfilled. In this regard, the WTO August Decision had involved some positive initial steps, but many issues still needed to be addressed. In agriculture, concepts such as special products and the Special Safeguard Mechanism were fundamental components of S&D treatment, to which Indonesia attached great importance in addressing the need for policy space, food security, rural development and rural livelihood. Indonesia also attached importance to the need to eliminate agricultural export subsidies. S&D treatment was important when negotiating NAMA and trade facilitation, the latter having the potential to increase the benefits from trade liberalization. The areas in which UNCTAD could assist developing countries included data collection and analysis on such issues as the level of usage of domestic subsidies in OECD countries; developed countries' subsidy policies; NTBs applied by WTO Members; and models and alternatives to assist developing countries to develop new concepts such as special products and the Special Safeguard Mechanism.

163. The Representative of **Japan** said that UNCTAD XI had contributed to confidence building between developed and developing countries and had been instrumental in making possible the WTO July Package. The July Package could provide the basis for a final and balanced agreement, although WTO members must maintain the momentum and deepen the discussion on individual issues. Japan supported the participation of developing countries

in the international trading system, and to this end it would continue to provide technical assistance to developing and least developed countries. Japan had already increased the coverage of its GSP for LDCs with a view to providing them with duty-free and quota-free treatment. With regard to supply-side constraints, Japan was willing to make the best use of its ODA resources to assist developing countries in overcoming these difficulties, and it had already formulated a package of assistance for Benin on the cotton issue. The secretariat's note summarized the issues in which developing countries had shown the greatest interest, but several passages in the note might be such as to prejudice the direction of the negotiations or inaccurately quoted the outcome of the July Package. For example, with regard to services the July Package clearly stated that offers "should be submitted by May 2005", whilst the secretariat note said "would be submitted", which was not correct. Finally, the success of the round depended on the efforts not only of developed countries but also of developing countries.

164. The representative of the **Russian Federation** said that the most important function of international trade was to promote economic and social development of all countries, but this depended to a great extent on the gradual elimination of trade barriers and the rejection of protectionism. Trade liberalization should not be unreasonably forced, and should proceed in an evolutionary, not a "revolutionary", manner. Trade policies that favoured artificial trade barriers, such as unjustified anti-dumping measures, inevitably distorted the natural comparative advantage of exporters from developing countries and countries with transition economies. They also inflicted injury on the economies of the countries imposing them and diverted resources that could be channelled to development. Hence, a more transparent, predictable and balanced multilateral trading system was in the interest of all countries. As a G-8 member, the Russian Federation was satisfied with the July Package agreed by the WTO General Council. The Package was politically and psychologically significant and could impart dynamism to the Doha multilateral trade negotiations. Particular attention should be paid to newly acceded Members' interests. The process of accession to the WTO should be conducted on a non-discriminatory basis, taking into account the levels of development of the acceding countries and their specific structural circumstances, and commitments should not exceed current WTO Members' obligations and commitments. UNCTAD's assistance to the WTO acceding countries should be continued. UNCTAD XI had been important in achieving international consensus on the current problems facing international trade and its increased contribution to development.

165. The representative of **Mauritius** said that his country was seeking to identify ways to ensure that countries with small and vulnerable economies and limited resources could adjust to increased liberalization in agricultural and industrial product markets. Trade in services had become an important economic pillar for many developing countries, particularly small economies, accounting for 65 per cent of GDP in Mauritius. Mauritius, as an exporter of services, particularly in Africa, was an active participant in the GATS negotiations. Liberalization of services trade within the framework of the Doha negotiations should help developing countries' industries to achieve global levels of sophistication and competitiveness. The development mandate of Doha must be fully reflected in the outcome of all negotiations under way at the WTO, and developing countries' policy space must be maintained and where necessary enhanced in new multilateral trade agreements. He expressed concern about the decline in the terms of trade of developing countries caused by the erosion of preferences as tariffs were reduced. He emphasized that UNCTAD played an

important role in assisting developing countries in understanding multilateral trade system issues, and he called for that assistance to be continued.

166. The representative of **Jamaica** said that if development gains for the developing countries were to be secured from the multilateral trading system, the system must respond to some of their fundamental trade concerns. The Doha Ministerial Declaration sought to place the needs and interests of developing countries at the heart of the Doha Work Programme and to further increase their participation in the multilateral trading system. The July Framework served to move the process forward, but much work would be required in further negotiations to ensure that development was indeed at the heart of the Doha Round, since the key interests of small developing countries had not yet been fully addressed. In agriculture, there was a need for differentiated tariff reductions, significant flexibility through special products, and a Special Safeguard Mechanism consistent with the development needs of developing countries. She was disappointed that, despite the high level of trade-distorting subsidies that developed countries were providing, a reduction in the de minimis levels of developing countries was still to be negotiated. This issue should be addressed both through trade solutions and within the framework of development instruments. In NAMA negotiations, there must be sufficient flexibility and exemptions to ensure the survival of small and fledgling domestic industries. UNCTAD, on the basis of its three pillars, should continue to assist developing countries to strengthen their capacities to participate in trade negotiations and to defend their legitimate trade interests.

167. The representative of **Cuba** said that the United States was still engaged in an economic war against Cuba. With regard to the current WTO negotiations, the Doha Round might not deliver the expected results if issues such as SDT and the elimination of agricultural subsidies were not fully addressed. A number of issues being discussed in the context of the negotiations on agriculture were of particular importance for the Cuban economy: the situation of net food-importing countries, the definition of special and sensitive products, special safeguard measures, preference erosion, and market access liberalization for tropical products. Cuba also attached great importance to the cotton initiative. On NAMA, it would be important to set up a system of compensation and/or a mechanism for assistance to address the issue of preference erosion. Developing countries should be helped in creating social safety nets and infrastructure, including by international institutions like UNCTAD. Finally, more attention should be given to country specificities, and UNCTAD could make a significant contribution in that respect.

168. The representative of **Senegal** said that, in Africa in 2003, GDP had increased by 3.6 per cent as compared to 3.2 per cent in 2002, and it was expected to grow by 4.4 per cent in 2004. These were encouraging results that reflected a better macroeconomic situation in Africa due both to the efforts carried out by countries at the domestic level and to an overall improvement at the international level. Nevertheless, Africa continued to be marginalized in international trade. Africa's share in world exports had gone down from 4.6 per cent in 1980 to 1.8 per cent in 2000. During the same period, exports of developing countries as a group had grown from 28.6 per cent to 31.5 per cent. This situation made it difficult for African countries to attain one of the Millennium Development Goals, namely to halve the number of people living in extreme poverty by 2015. In this light, African countries had high expectations for the Doha negotiations, but those negotiations would be successful only if the development dimension was fully taken into account. If Africa was going to benefit from the new trade geography, certain preconditions had to be met, including better market access for

goods and services produced in Africa, in particular agriculture products, industrial products that still faced tariff escalation and tariff peaks, and services delivered through the movement of natural persons. The consensus reached at UNCTAD XI could inspire the negotiations at the WTO. In addition, financial support should be made available to improve the supply capacity of African countries, more investment should take place in the region, and the servicing of foreign debts should be eased. It was of paramount importance to find new mechanisms to finance development.

169. The representative of **Sri Lanka** said that UNCTAD XI had helped generate the right spirit for the WTO July Package. Current negotiations at the WTO gave rise to some country-specific concerns. While the Doha round would be beneficial for the world overall and many countries would gain from it, others, like Sri Lanka, might actually lose unless their specific concerns were properly addressed in the negotiations. First, as a net food-importing country, Sri Lanka was likely to experience increased import bills as a result of the round. It was therefore important that the Marrakech decision be fully implemented. Second, an important concern for Sri Lanka was the end of the Multi Fibre Agreement (MFA), which could have negative consequences for small and vulnerable economies. Creative SDT provisions should therefore be put in place to protect these weaker economies from adverse effects. Finally, with regard to services negotiations, Sri Lanka stressed the need to improve the offers, particularly in Mode 4, an area widely recognized as bringing significant gains to developing countries. The Sri Lankan economy was in fact heavily depending on remittances, which were playing a crucial role in the country's efforts to attain the Millennium Development Goals.

170. The representative of the **Republic of Korea** agreed that the July Package provided a useful framework for the work, particularly for the completion of work on SDT treatment. The secretariat's note highlighted the role of issue-based coalitions between developing countries, and such coalitions had played a useful role in re-energising the Doha work programme, even though the alliances were not between countries of the same level of economic development. With regard to the role of ministerial meetings, given the success of the WTO's General Council in arriving at the July package, what was important was the need for political will to find solutions to difficult issues. With respect to the Doha work programme, he noted the need to achieve a balanced outcome in the various areas and to ensure that the negotiations were not overly prejudiced in favour of any one subject. UNCTAD could assist developing countries in improving their supply-side capacities, as well as in the other areas identified in the secretariat's note.

171. The Representative of **Venezuela** said that, in the current Doha round, the development content remained to be tested. S&D treatment and development issues should weigh consistently more in current negotiations in order to prevent the word development becoming a mere euphemism. WTO members should give a sense of urgency to these issues in the current trade negotiations. Finally, UNCTAD should contribute significantly to these aims in the run-up to the next WTO Ministerial Conference in Hong Kong.

172. The representative of **Norway** said that the Framework Agreement reached in the WTO had been an important step towards concluding the Doha Round. All WTO Members, both developing and developed, had a common interest in a strong, rules-based multilateral trading system that would not be undermined and fragmented by a shift towards bilateral and regional trade agreements. Norway hoped that all WTO Members would engage

constructively in finding solutions to the outstanding issues in order to move towards a successful and timely conclusion of the negotiations. The special needs and concerns of the developing countries and in particular the LDCs should be placed at the heart of the Doha Work Programme. Norway was committed to redoubling efforts to address special and differential treatment, implementation-related issues, and technical assistance.

173. The representative of **Belarus** said that the traditional consideration by the Trade and Development Board of this agenda item was useful and allowed the participation of a wide range of countries, including those that were WTO observers. The Doha Ministerial Declaration had focused the work programme to a large extent on developing countries' needs and interests, but it had nevertheless opened considerable possibilities for all countries and established important objectives for further trade liberalization, with emphasis on development issues. UNCTAD XI had enhanced the constructive spirit among countries, strengthened mutual confidence and created a positive environment for the negotiations leading up to the July decision by the WTO General Council. The adoption of the July decision was commendable. It overcame the Cancún impasse and put the negotiations back on track. Reasonable optimism with regard to the outcome of negotiations might be warranted in the five key negotiating areas of the July decision, namely agriculture, market access for non-agricultural products, services, development issues and trade facilitation. As an acceding country, Belarus welcomed the recognition by WTO members of the need to take account of the substantial concessions made by newly acceded members. Accession to the WTO was part of Belarus' strategy and priority. In the accession negotiations, Belarus aimed to achieve obligations and commitments consistent with her economic possibilities and eventually capture real benefits from the multilateral trading system. UNCTAD had the necessary competence and experience to assist developing countries and countries with economies in transition in their integration into the multilateral trading system on balanced terms and in accordance with their national specificities and development needs. Accordingly, Belarus stressed the need for enhanced technical assistance by UNCTAD, with the support of Member States, for all developing countries, particularly LDCs, and countries with economies in transition prior to, during, and in the follow-up to their WTO accession process.

174. The representative of **Canada** noted the linkages between the São Paulo Consensus, the Doha Development Agenda and the July Package. By analogy with Thanksgiving, it could be said that the table was set, the proof was in the pudding, and it was time to start cooking. A lot of progress had been made in terms of incorporating developing country concerns into the framework for future negotiations and most importantly mainstreaming development into the core negotiating agenda. From a development perspective, the language agreed by WTO Members reiterated the centrality of development within the Doha development round, in particular through the strong language on trade-related technical assistance, capacity building, S&D treatment, and the integration of development concerns in detail within the frameworks for the core areas. Thus the July package not only got the negotiations back on track but reflected developing country concerns. The proof of the collective commitment to ensure that developing countries and particularly the poorest would benefit from the negotiations would be in results, including in UNCTAD's role in assisting the countries concerned in engaging fully in the negotiations. The road map for substantive negotiations was there, and the agreement represented a vote of confidence in multilateralism, as all WTO Members joined together in shaping the future global economy.

175. The representative of **Switzerland** confirmed the important role of the July Package in terms of liberalizing trade and meeting development needs. UNCTAD XI had contributed positively to the negotiations. Precise provisions and details now remained to be determined. In that connection, UNCTAD's technical assistance effort should continue and be intensified. Document TD/B/51/4 contained useful information but did not reflect the diversity of developing countries and sometimes provided an oversimplified vision of reality. Paragraphs 6 and 7 of the document stated that the implementation of the WTO agreements had produced imbalances, mostly working against developing countries, but in 2003 for the first time the United States had imported more goods from developing than from developed countries. With regard to agriculture, considerable progress had been achieved in that area, but the final result would depend greatly on progress in other fields. Paragraphs 24 to 27 of document TD/B/51/4 placed insufficient emphasis on the positive impact of tariff reductions in developing and least developed countries on other developing countries. Paragraph 32 gave the impression that there was a consensus that a safeguard mechanism was beneficial for developing countries, but that was wrong. Paragraph 38 did not mention that geographical indicators were also of interest to developing countries. In general, the real situation was far more complex than suggested in the document.

176. The representative of **Ethiopia** highlighted the concerns of countries in the process of accession to the WTO. The accession process was complex, costly, lengthy and challenging for all countries, especially the LDCs. The commitments sought from acceding countries entailed measures that went beyond mere border measures and encroached on the policy space of national Governments. Acceding countries were also faced with WTO-minus issues involving denial of access to SDT provisions embodied in the WTO agreements. These and other issues made the accession process quite complex, and more so in the case of LDCs, which suffered from severely limited human, institutional, financial and administrative capacity constraints. The Guidelines for LDC accession to the WTO should be adhered to. He expressed thanks to UNCTAD for its support for acceding LDCs and to his country's trading partners for the financial support provided to UNCTAD.

177. The representative of the **Sudan** agreed with the representative of Ethiopia with respect to the concerns of countries acceding to the WTO. He also thanked UNCTAD for its continued support for countries in the process of accession, particularly LDCs. He called for more financial support for UNCTAD in its technical assistance and capacity building programmes for countries acceding to the WTO.

178. The representative of the **Economic Commission for Europe (ECE)** said that the ECE region accounted for over half of total world trade, so the outcome of the Doha negotiations was central to the development prospects of the region and to the fulfilment of the MDGs. The concerns of transition economies in the multilateral trading system and in the ongoing Doha round were being addressed in only a very modest way. Moreover, because these countries were not considered developing countries by the WTO, they had not been able to negotiate more favourable entry conditions. Excluding the countries that had recently joined the EU or were in the process of doing so, only five small economies in transition had acceded to the WTO recently. Ten other transition economies were in the process of accession, and their longer-term economic welfare would be strongly affected by the results of the Doha round, though they would have great difficulty in exercising any real influence on the outcome of negotiations. The five transition economies that were WTO members were concerned about the extensive market-access commitments that they had had to make in their

accession. For them, it was vital to concentrate on those issues of greatest importance, including obtaining technical assistance for the facilitation of trade flows. Issues related to Article V of GATT 1994 were also especially important for the landlocked countries of the South Caucasus and Central Asia. Another key issue for transition economies was agriculture. During the transition to a market economy, agriculture had been hit hard by sweeping changes in the production structure, the absence of a well-functioning mortgage system, and uncertainty surrounding property rights and ownership. These had led to a major drop in agricultural production. Hence, the countries concerned were calling for extra temporary flexibility regarding domestic support so as to ensure that a competitive agricultural sector could be rebuilt. The insufficient attention given to the problems of transition economies in the multilateral trading system was partially due to lack of substantive expertise and negotiating capabilities. UNCTAD, in cooperation with the ECE secretariat, could continue to take up the challenge of assisting these countries in the Doha negotiations.

Action by the Board

179. The Board took note of the note by the UNCTAD secretariat in document TD/B/51/4.

CHAPTER VI

UNCTAD'S CONTRIBUTION TO THE IMPLEMENTATION OF AND FOLLOW-UP TO THE OUTCOMES OF THE MAJOR UNITED NATIONS CONFERENCES AND SUMMITS IN THE ECONOMIC AND SOCIAL FIELDS

(Agenda item 7)

- (a) **UNCTAD's contribution, within its mandate, to the implementation of, and to the review of progress made in the implementation of, the outcomes of the major United Nations conferences and summits, under its relevant agenda items.**

180. For its consideration of this item, the Board had before it the following documentation:

"UNCTAD's contribution, within its mandate, to the implementation and to the review of progress made in the implementation of the outcomes of the major United Nations conferences and summits: Note by the UNCTAD secretariat" (TD/B/51/5).

181. The **Officer-in-Charge of UNCTAD**, introducing the item, said that the integrated follow-up to and implementation of the outcomes of the United Nations summits and recent major conferences was a key process in meeting the objectives of the Millennium Declaration. UNCTAD had started implementation of the outcome of UNCTAD XI, and this should be part of the major implementation and review processes taking place within the United Nations. The General Assembly, in its resolution 57/270B, had invited the Board to contribute, within its mandate, to the implementation and review of progress made in the implementation of the outcomes of the major United Nations conferences and summits. In the same resolution, it had invited the President of the Trade and Development to present the outcomes of such reviews to ECOSOC and to participate in the high-level meeting of the ECOSOC with the Bretton Woods institutions and the World Trade Organization.

182. The secretariat's note described UNCTAD's work related in particular to the Monterrey and Johannesburg Conferences. Doha was treated in the same context. A special section was devoted to countries with special needs, in particular LDCs and Africa. It was expected that the note and delegations' comments would assist the President of the Board in her presentation to ECOSOC and her participation at the spring High-level Meeting of ECOSOC on financing for development. In that connection, in a decision adopted on 16 September, the Economic and Social Council had welcomed the participation, for the first time, of the President of the UNCTAD Trade and Development Board in the High-level Meeting of ECOSOC with the Bretton Woods Institutions and the WTO.

183. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that United Nations global processes, in particular those having a strong economic content, should be closely monitored. Achieving the Millennium Development Goals (MDGs) was a crucial preoccupation of the United Nations as a whole. UNCTAD should contribute in particular with respect to MDG 8, which referred to poverty, trade, debt and ICTs.

184. Significant progress in the implementation of decisions adopted by major United Nations conferences and summits would have a serious bearing not only on the growth and

development of developing countries, but also on the functioning and credibility of the United Nations. The General Assembly, through its resolution 57/270B, had decided to use existing mechanisms not only for the implementation of the outcome of UN conferences and summits but also to assess implementation. UNCTAD, as the focal point within the United Nations for the integrated treatment of development and interrelated issues, was well placed to undertake these two functions, within its mandate. In this respect, UNCTAD had to contribute not only to the implementation of Conference outcomes, in particular those of Monterrey, Johannesburg and Doha, but also to the review of the progress achieved in implementation in the area of trade and financing for development, in particular investment flows, debt, commodities and coherence/systemic issues. The General Assembly had decided to add the Trade and Development Board to the institutional mechanisms for the follow-up to Monterrey by inviting it to participate to the High-level meeting of ECOSOC with the Bretton Woods Institutions and the WTO.

185. These developments, reinforced by the results of São Paulo, not only strengthened the specificity of UNCTAD but also placed the institution in the mainstream economic processes in the United Nations. UNCTAD was well equipped in this respect, as both the Trade and Development Board and its subsidiary bodies had been considering relevant issues on a regular basis.

186. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, said that UNCTAD was preeminently placed to respond to the challenge before it because of its comparative advantage in the areas of finance, technology, investment and trade. Its contribution to the implementation of the outcomes of United Nations summits and major conferences was essential in achieving the objectives of the Millennium Declaration. He stressed the role of UNCTAD in the elaboration of evaluation benchmarks, in external debt and commodities, in further developing the concept of policy space, and in enhancing coherence. The secretariat's reporting should be more analytical and comprehensive so as to ensure efficient assessment of the implementation of conference outcomes. He requested the secretariat to provide a comprehensive and analytical report in time for the High-level Meeting of the General Assembly to take place in 2005.

187. The representative of **Argentina**, speaking on behalf of the **Latin American and Caribbean Group**, welcomed the inclusion of the item in the agenda, since it was the first meeting of the Board since UNCTAD XI and the implementation of the objectives of the Millennium Declaration, including the MDGs, would be examined in the Autumn of 2005. Part I of the secretariat's note correctly reflected the challenge of the follow-up to the major UN conferences and summits and UNCTAD's valuable contribution in the areas of international trade, debt and investment. Part II of the note attempted to assess the progress made in the implementation of conference outcomes, and it represented a very good effort, as implementation was paramount. This part of the note could be more analytical. With regard to part III of the note, he drew attention to the special references to the special needs of least developed countries, landlocked developed countries, small island developing States and transit developing countries.

188. The representative of **Nigeria**, speaking on behalf of the **African Group**, stressed the importance of the implementation of the outcomes of the major conferences and summits. Next year's review of the Millennium Declaration was awaited with great expectations in view of the trends in African countries. The MDGs relating to poverty, education, gender,

water and sanitation, and trade and debt were far from being achieved, and there was a strong need for radical change. He welcomed UNCTAD's work in contributing to the implementation of the outcomes of major conferences and summits, and trusted in the capacity of UNCTAD to deliver. Part II of the secretariat's note could be more analytical. Part III should continue to appear in future documentation.

189. The representative of the **Netherlands**, speaking on behalf of the **European Union**, said that the Millennium Declaration was to be reviewed in 2005 and invited the secretariat to inform members about the way it intended to prepare for the major UN events in 2005. The EU would welcome a note covering both policy and technical cooperation aspects of the contribution by UNCTAD, within its work programme, to help achieve internationally agreed development goals, particularly the Millennium Development Goals. The note would need to take into account UNCTAD's mandate, the outcome of São Paulo and the Bangkok Plan of Action. The note should be presented to member States well in advance of the event in 2005.

190. The representative of **Japan** appreciated the work being undertaken by UNCTAD to implement the outcome of major conferences and summits. As the focal point on trade and development within the United Nations, UNCTAD had been making a major contribution in various fields, as reflected in document TD/B/51/5. The Millennium Development Goals were central for global development and Japan was committed to their attainment. He welcomed the opportunity to consider how the MDGs could be achieved. However, it was regrettable that, in the Board's high-level segment, the focus had been on how to increase ODA, rather than on a holistic approach taking into account other financial resources such as FDI.

191. In attaining the MDGs, a number of issues were important. The first was the relationship between development and conflict and the need to maintain peace in developing countries. Japan extended development assistance flexibly and continuously for peace-building in developing countries. The second issue related to "human security", namely focusing on individuals and ensuring that human dignity was maintained at all times, and Japan would extend assistance for protection and empowerment of individuals. Thirdly, the efforts made by developing countries themselves should go hand in hand with the assistance of development partners. 'Ownership' and 'partnership' were essential in extending assistance for capacity-building in developing countries. The fourth issue related to the use of all financial resources, including private capital flows, as part of a comprehensive development strategy. It was important to incorporate trade and investment policy into development plans. The sixth point concerned sustainability, including the need to look beyond the deadline of 2015. The final point related to the importance of South-South cooperation. Japan expected that UNCTAD, within its mandate, would play a more active role in attaining MDGs.

192. The representative of **Benin**, speaking on behalf of the **LDCs**, said that UNCTAD, as the focal point on trade and development, was well placed to contribute to the implementation of the outcome of the major United Nations conferences and summits. However, the secretariat's note did not mention the impact of UNCTAD's work on people, and elements substantiating impact should be included. UNCTAD could succeed if there was an increase in the means available to the secretariat and if member States were determined to combat poverty. He therefore appealed to donors to provide means conducive to concrete and sufficient results.

193. The representative of **Cuba** emphasized UNCTAD's comparative advantage in the areas of debt and commodities and its aptitude to deal with development issues. UNCTAD was in a position to make substantive contributions to the implementation of the outcomes of the major United Nations conferences and summits in the areas of policy making and policy development, taking duly into account its specific mandate emanating from the General Assembly. She looked forward to UNCTAD's contribution to the implementation of the Monterrey results, the outcome of the Third UN Conference on LDCs, and the MDGs.

194. The representative of **Switzerland** reiterated his country's position on this item, as stated at the opening meeting of the session.

Action by the Board

195. At its 961st plenary meeting, on 14 October 2004, the Board took note of the report by the secretariat on this item (TD/B/51/5).

(b) Report by the President of the Trade and Development Board on his participation in the high-level meeting of ECOSOC with the Bretton Woods institutions and the World Trade Organization

196. The **President of the Trade and Development Board at its fiftieth session**, presenting his report, said that the high-level meeting had enjoyed participation by intergovernmental bodies, officials engaged in the areas of trade, finance, development cooperation and foreign affairs, and representatives of non-governmental organizations and the private sector. On the theme of the impact of private investment and trade-related issues on financing for development, he highlighted the role of good governance in encouraging local investment and attracting overseas investment and the need for sound legal and regulatory systems, transparency and accountability of both private and public institutions; the need for effective progress in multilateral trade negotiations with a view to promoting development worldwide and achieving the MDGs; the major role played by trade capacity building in enhancing developing countries' gains from trade negotiations; and the fact that declining or highly unstable commodity prices acted as a disincentive to foreign capital investment.

197. With respect to the role of multilateral institutions in reaching the Millennium Development Goals, despite the fact that the MDGs had become the core business of several international organizations, concerns had been expressed about insufficient coordination of their activities and lack of clarity in the division of labour among them. There were divergent views on the effectiveness of the division of labour between the United Nations and the Bretton Woods institutions in monitoring targets, policies and actions. Moreover, the wide diversity of situations and the way policies interacted in different countries made it particularly difficult to apply a "one size fits all" approach. Several delegations had stressed that coherence in national and international policies and in development cooperation was critical. Enhancing development required more equitable trade and simultaneous advances in foreign financial flows and access to markets. It also required enhanced international governance. Other representatives had stated that Poverty Reduction Strategy Papers (PRSPs) were a useful tool in aligning MDGs and policies at the national level.

198. As to debt sustainability and debt relief, there was a need to improve both the management of debt, to avoid debt crises, and the international trade and financial environment. This was seen as a crucial issue of coherence between international trade, financial and development policies. It was important that the debt sustainability framework take into account the imperative of reaching the MDGs. This concern could be addressed by linking poverty reduction strategies or PRSPs with national budgets and thus with macroeconomic programmes and debt sustainability analysis. The initiative of the Bretton Woods institutions to develop a new framework for debt sustainability analysis for low-income countries was considered. The capacity to respond to shocks was an important aspect of the analysis, which must go beyond HIPC countries and consider middle-income countries. It would be important to ensure more neutral forums for debt restructuring, not dominated by creditors. In many cases, the debt crisis could not be solved simply by providing liquidity, but would also require policies to expand growth.

199. UNCTAD's first participation in the formal institutional mechanism for follow-up to the Monterrey Consensus had proved positive, as it had allowed direct interaction with other intergovernmental bodies on issues such as financing for development. UNCTAD was pre-eminently placed to examine those issues, as its work in the areas of trade, investment, debt and systemic issues was well recognized. The president of the Board should therefore continue to participate in the spring meeting of ECOSOC on financing for development, not only because of the decision of the General Assembly but even more because of the valuable contribution UNCTAD could make and the interaction with other major players in the United Nations system. In fact, a decision adopted by ECOSOC on 16 September had welcomed the participation of the President of the Board.

Action by the Board

200. At its 961st plenary meeting, on 14 October 2004, the Board took note of the report by the President of the Board.

CHAPTER VII
TECHNICAL COOPERATION ACTIVITIES

(Agenda item 8(a))

(a) Review of the technical cooperation activities of UNCTAD (report of the Working Party on its forty-third session)

201. For its consideration of this agenda item, the Board had before it the following documentation:

- “Review of technical cooperation activities of UNCTAD” (TD/B/WP/172);
- “Annex I – Review of activities undertaken in 2003” (TD/B/WP/172/Add.1) (English only);
- “Annex II – Statistical tables” (TD/B/WP/172/Add.2) (English only);
- “Review of the technical cooperation activities of UNCTAD and their financing: Draft decision” (TD/B/51/L.2).

202. The representative of **India**, speaking in her capacity as **Vice-Chairperson-cum-Rapporteur of the Working Party on the Medium-term Plan and the Programme Budget** at its forty-third session, introduced the draft decision contained in document TD/B/51/L.2.

Action by the Board

203. At its 961st plenary meeting, on 14 October 2004, the Board adopted draft decision TD/B/51/L.2. (For the decision as adopted, see TD/B/51/8(Vol. I))

Statements

204. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that it was important to take the necessary measures for the full implementation of the outcomes of UNCTAD XI. He reiterated the position of his Group with regard to the priority areas of technical cooperation activities of UNCTAD, as stated at the forty-third session of the Working Party. Three main parameters should guide the secretariat's work: firstly, the predictability and sustainability of UNCTAD's extrabudgetary resources should be improved, and in that connection efforts should be made to reduce the dispersion of technical cooperation activities; secondly, the secretariat should maximize the impact of its work by emphasizing thematic, inter-regional and interdivisional approaches; finally, special attention should continue to be given to least developed, landlocked and small island developing countries.

205. The representative of the **Russian Federation** stressed the importance of technical cooperation in the work of the organization. He reiterated the concept of the universality of UNCTAD, by which all countries should benefit from its technical cooperation services. He welcomed the progress made in the implementation of the new technical cooperation strategy adopted in 2003. He noted with appreciation the assistance provided by UNCTAD to WTO acceding countries, including his own. He emphasized the importance given in the strategy to the concept of capacity building and noted in this regard the usefulness of the new initiatives related to the Virtual Institute, e-tourism and electronic commerce. Finally, he stressed the importance of close cooperation between UNCTAD and other international bodies.

206. The representative of **Peru**, speaking on behalf of the **Latin American and Caribbean Group**, said the work carried out by UNCTAD in the area of technical cooperation was closely linked to its research, analytical and consensus building work. The effectiveness of technical cooperation depended on sustainable and predictable financial resources and a fair distribution among beneficiaries according to their needs. She stressed four main priorities in the implementation of technical cooperation, namely: conformity with UNCTAD XI mandates; implementation of the new strategy; a sound financial resource structure; and fair geographical distribution. In conformity with the conceptual framework defined at UNCTAD XI, her Group wanted special attention to be paid to new and dynamic sectors, creative industries, BIOTRADE, GSTP, competitiveness of SMEs, trade and services (mode 4), innovation and transfer of technology, innovative financial mechanisms, and capacity building for trade and investment and trade and environment negotiations. According to the new strategy (Board decision 478 (L)), priority should be given to building endogenous capacity in developing countries, strengthening predictable resources, creating public-private partnerships, ensuring greater coherence in thematic priorities and evaluating projects and programmes. In this respect, she underlined the importance of activities related to the enhancement of institutional and human capacity building, like the launching of the Virtual Institute and the training of trade negotiators on investment and competition. The starting point of technical cooperation should be demand-driven.

207. She thanked donors for the 28.6 per cent increase in contributions in 2003. However, resources were still lacking with respect to financing the participation of experts from developing countries in UNCTAD expert meetings. She noted with concern the continued decline in resources from UNDP, the small share of resources from the UN regular budget, and the excessive reliance on bilateral trust fund resources, which were voluntary and earmarked. The greatest comparative advantage of UNCTAD lay in its systemic vision of trade, investment and related areas. The thematic orientation of technical cooperation work should be strengthened, with particular emphasis on those areas specifically included in the São Paulo Consensus and the Bangkok Plan of Action. The lack of coherence and the short-term approach that characterized a number of activities had to be reversed, as it was in contradiction with the new strategy. The conclusions presented by the secretariat in document TD/WP/172 deserved appropriate action by the Board. She stressed the importance of activities carried out in the framework of paragraph 166 of the Bangkok Plan of Action, and expressed concern at the lack of resources for those activities. Finally, she expressed concern at the unequal geographical distribution of resources and at the marginalization of her region due to the continued decrease in the resources attributed to it. She called on donors to increase resources earmarked for projects in Latin America and the Caribbean.

208. The representative of the **Netherlands**, speaking on behalf of the **European Union**, said that technical cooperation should be demand-driven, prioritized and focused on the needs of developing countries, in particular, least developed countries. The share of expenditures in Africa and least developed countries was declining, and she urged the secretariat to correct this trend. Technical cooperation activities should be focused on areas where UNCTAD had proven experience and comparative advantage, and increased attention should be paid to the linkages between analytical work and capacity development. The Doha development agenda included a commitment to strengthen trade-related capacity building to support developing countries' integration into the world trading system. Together with the WTO and other agencies providing trade-related technical cooperation, UNCTAD should focus on designing a coherent policy framework to contribute to the fulfillment of that commitment. UNCTAD should benefit from enhanced cooperation and partnership and a clearer division of labour

with agencies providing trade-related technical cooperation, including WTO. The field presence of a number of such agencies could greatly benefit UNCTAD in the implementation of its activities.

209. The representative of **Colombia** stressed the importance for developing countries of activities carried out by UNCTAD in support of SMEs, in the areas of BIOTRADE and competition policies, and in the framework of paragraph 166 of the Bangkok Plan of Action. He reiterated his strong support for the new technical cooperation strategy and expressed concern over the declining share of expenditures in the Latin American and Caribbean region. Of particular concern was the lack of resources to finance the participation of experts from developing countries in UNCTAD expert meetings, which were of utmost importance for developing countries. He called on the secretariat to analyse the possibility of reallocating funds from other areas of activity to ensure the participation of experts from developing countries in expert meetings, pending a long-term solution. Finally he thanked donors for their continued support for the technical cooperation activities of UNCTAD.

210. The representative of **Belarus** said that his delegation understood and supported the focus on Africa and the least developed countries in UNCTAD's technical cooperation. However, that focus should not be at the expense of other countries and regions, including economies in transition. He stressed the importance of finding a solution to the difficulties associated with financing the participation of experts from developing countries and countries with economies in transition in UNCTAD expert meetings. He called on the secretariat to enhance its research and analytical work with respect to economies in transition. The technical cooperation programmes related to WTO accession were of particular importance, and his country was also interested in benefiting from an Investment Policy Review.

211. The representative of **Venezuela** said that technical cooperation was one of the main objectives of UNCTAD. Technical cooperation activities must be adapted to the mandates adopted at UNCTAD XI and to the new technical cooperation strategy. Among the mandates set out in the São Paulo Consensus, the link between trade, development and environment, as well as the international instrument on climate change, reflected the dynamics of the global agenda and its implications for developing countries. The Doha Ministerial Declaration and the July Package of the WTO also had to be taken into account. The current financial structure of UNCTAD's technical cooperation resources led to imbalances regarding the sources, management and utilization of technical cooperation funds. This situation needed to be corrected, and in that regard there was a need for better coordination between the Geneva and New York missions for the purposes of addressing the imbalances in the sources of funding for UNCTAD technical cooperation. Another important imbalance related to the continuous decline in the resources allocated to Latin America and the Caribbean.

212. The efficiency and impact of UNCTAD's technical cooperation had to be measured from the point of view of the endogenous capacity generated. The extent to which assistance matched the demand and development policies of beneficiaries was another important evaluation criterion. Venezuela attached a great importance to UNCTAD activities geared towards the creation of the national capacities required to address the complex interface between trade, development and environment. It welcomed the progress made in implementing the Biotrade programme in Venezuela, and requested assistance regarding the clarification and implementation of paragraph 51 of the Doha Ministerial Declaration.

213. The representative of **Bhutan** said that his country was currently benefiting greatly from UNCTAD's technical cooperation in the areas of WTO accession, competition policies

and investment. He thanked donors for their continued support and requested them to increase their contributions, in particular in support of least developed countries.

214. The representative of **China** said that technical cooperation was one of the three main pillars of UNCTAD's work. Technical cooperation could not be conducted without sufficient resources, and in that regard he thanked donors for their support and hoped that they would continue to provide long-term, sustainable and predictable financial resources. In formulating technical cooperation projects, a geographically balanced approach should be ensured. Priority should be given to projects that concerned many developing countries, and in particular to regional and subregional projects, with a view to increasing efficiency and the rational use of resources.

215. The representative of **Switzerland** stressed the importance of the technical cooperation activities of UNCTAD, as evidenced by the support given by his country to a number of programmes. There was a need for enhanced cooperation between the different Divisions of the UNCTAD secretariat. He noted with satisfaction the substantial increase in contributions to UNCTAD trust funds by developing countries, which reflected the value of UNCTAD technical cooperation. He encouraged the secretariat to continue to report on progress in the implementation of the new strategy. He understood the difficulties encountered by the secretariat in identifying valid performance indicators, but given the existing research capacity within the secretariat, he was confident that it could establish certain indicators of achievements that could be useful in the area of trade and development. He noted the major improvement in the customization of UNCTAD technical cooperation, for example in the areas of competition policies and BIOTRADE, where local partners played a fundamental role. The lack of an UNCTAD field presence should be discussed further. Finally, on the question of the distribution of overheads, he suggested that consultations take place with a view to modifying current practice.

216. The representative of **Cuba** emphasized the need for a thematic approach that would help reduce the fragmentation and dispersion that could be seen in the current implementation of UNCTAD technical cooperation. Effective delivery of technical cooperation depended on the availability of sustainable and predictable financial resources.

217. The representative of **Venezuela** endorsed the points made by the representative of Switzerland on the question of overheads and indicators of achievement.

218. The **Officer-in-charge of UNCTAD** provided clarification on the question of overheads.

(b) Investment Policy Review of Sri Lanka - Chairman's summary

219. The Investment Policy Review (IPR) of Sri Lanka was presented on 6 October 2004. The high-level delegation of Sri Lanka was led by H.E. Mr. Arjuna Ranatunga, Deputy Minister of Industry, Tourism and Investment Promotion. The Chairman of the Sri Lankan Board of Investment, Mr. Saliya Wickrasuriya, was also part of the delegation.

220. The lead discussants included the Ambassadors of China, India and Singapore, the representative of the State Secretariat for Economic Affairs of Switzerland, and the Deputy Chief of the Embassy of Japan in Sri Lanka. Two private sector commentators from the Japanese affiliate FDK Lanka Pvt Ltd based in Colombo and Galvao Gems of Switzerland gave their views on the investment climate in Sri Lanka. The Resident Representative of UNDP in Sri Lanka also participated in the meeting and shared lessons from the Invest-in-

Peace project in Sri Lanka, of which the Investment Policy Review had been a component. Other commentators included the representatives of Afghanistan, Algeria, Peru, Rwanda, Venezuela and the International Confederation of Trade Unions, and regional coordinators for Africa, Asia and China, Latin America and the Caribbean, the LDCs and the Group of 77.

221. In presenting the main findings of the IPR of Sri Lanka, the representative of the UNCTAD secretariat noted that Sri Lanka's FDI performance, influenced by prevailing economic policies, had been negligible until 1977, when there had been a partial liberalization in the context of the economic processing zones. FDI had expanded in the 1990s due mainly to the privatization programme. Regionally, Sri Lanka compared well with the South Asian countries but it lagged behind the dynamic South-East Asian economies. The positive impact of FDI had not been sufficiently far reaching due to low overall inflows, and this had been reflected in the low level of change in the productive structure since 1970. Sri Lanka had the potential to attract more FDI and to increase the benefits from it. The Government would be following up on the implementation of the recommendations of the IPR, which related to modernizing the FDI entry regime, strengthening Board of Investment (BOI) core functions and reforming the tax regime on investment.

222. The Deputy Minister for Industry, Tourism and Investment Promotion thanked UNCTAD for a high quality report and the useful recommendations, which could be put to practical use in the framework of the new Government's policies to strengthen economic policy, increase FDI, promote SMEs and reduce poverty. Sri Lanka remained open to trade and investment as a means to achieve the goals of poverty reduction. The country's productive human capital base, good port facilities, ease of business immigration and Free Trade Agreement with India were attractive factors for FDI. The Government would implement the IPR recommendations to meet the goals of social and economic development, and looked forward to working with UNCTAD and UNDP to improve the investment climate. He welcomed a constructive dialogue.

223. Most participants underlined the importance of FDI in promoting private sector development, employment creation, encouraging transfer and diffusion of technology, export diversification, and meeting the goals of poverty reduction. Delegations recognized that UNCTAD's IPRs had assisted developing countries in improving the investment environment. Participants also welcomed the Investment Policy Review process as a constructive mechanism for countries wishing to attract FDI. It allowed for an exchange of views in a friendly setting and provided feedback on policies to Governments keen on attracting FDI. UNCTAD was commended for its thorough, balanced and high-quality report. Many speakers underlined that it was important to implement the follow-up recommendations of the IPR, and the Sri Lankan Government's commitments to do so was appreciated. There was an expression of overall confidence that Sri Lanka could do better. It was widely recognized that its key assets were a trainable labour force, relatively low wages, tax incentives, generally good-quality governance (a low level of corruption) and the existence of a dynamic domestic private sector. These assets were buttressed by more than two and a half decades of open market policies, which had created a business-friendly environment favourable to investment and economic growth. Sri Lanka was also complimented for its development efforts in difficult circumstances. The commentator from Switzerland underscored that Sri Lanka was well poised to attract more investment from SMEs, which reflected the current global trend. However, as SMEs were more risk-averse, there was a greater need to ensure stability and good fundamentals.

224. The private sector commentator from Japan was upbeat about the firm's investments in Sri Lanka. Attracted by trainable and productive labour, the company had started its operations in 1990 and had today expanded its output, capital investment and employment more than tenfold. The private sector commentator from Switzerland emphasized Sri Lanka's low labour costs and high skill levels, which had attracted his firm to Sri Lanka 10 years before. However, some factors in the environment today might be discouraging to investors, particularly the heavy bureaucracy, the lack of coordination between ministries and departments, the and poor customs' administration. The commentator from Japan cited a JETRO survey in November 2003, which highlighted certain weaknesses, namely frequent change of governments regimes, the labour laws, slow VAT refunds and poor infrastructure.

225. The commentators from China, India and Singapore, which had growing economic relations with Sri Lanka, were optimistic that Sri Lanka could do better in expanding trade and investment, especially in view of its continued efforts in pursuing economic reforms. They were also confident that free trade arrangements would help companies to use Sri Lanka as a regional export base. The Sri Lanka/India Free Trade Agreement, signed in 2000, had already led to a quantum jump in FDI from India to Sri Lanka, and in fact about 40 per cent of India's total outward investment to SAARC countries was to Sri Lanka. India and Sri Lanka would cooperate further under a Comprehensive Economic Partnership Agreement (CEPA) that would include investment and services, in addition to goods.

226. The commentator from the International Confederation of Free Trade Unions (ICFTU) welcomed the integration of labour market issues into the IPR and to a degree supported its policy recommendations, including the desirability of a formula to calculate labour severance payments. Government approval should continue to be necessary for layoffs involving over 25 people. Also the BOI should stop dealing with industrial relations issues, particularly in the economic processing zones. This role should rest with the Ministry of Labour. Unfair labour practices and unfair dismissals should be dealt with quickly and seriously, and the Government should not undermine trade unions' right to organize by accepting employees' councils in the economic processing zones.

227. The Resident Representative of UNDP in Sri Lanka shared his experience on the Invest-in-Peace initiative in Sri Lanka, a strategy that focused on revitalizing private investment to promote peace building. On key lessons for post-conflict dimensions, he underlined that business leaders tended to be pragmatic problem solvers and were comparatively free of ideological rigidity. The smaller local firms and regional business leaders had been quickest to enter into the peace building process. Public-private sector partnership could be a powerful force, and in Sri Lanka, the Ministry of SMEs had partnered the project's Business for Peace Alliance of regional Chambers of Commerce to facilitate SMEs' access to affordable commercial bank credit and to implement quick starts for low-budget projects by building capacities in the construction industry in former conflict areas. Ultimately, however, Invest-in-Peace could not succeed without courageous regulatory reforms, as the framework must be transparent, equitable and responsive to be competitive. Representatives of Afghanistan and Rwanda endorsed the Invest-in-Peace initiative of Sri Lanka as timely for their countries, which had emerged from conflicts. The representative of Afghanistan underscored that institutional reforms to promote predictability and transparency in the investment area had been put in place in his country, and an IPR under an Invest-in-Peace type of initiative could help his country to pursue reforms and adjustments to attract FDI.

228. In concluding, the Chairperson emphasized that many delegates had appreciated the commitments expressed by the Minister with regard to implementing the recommendations of the IPR and taking them fully into account in the reform process. She noted the interest that delegates had expressed in the "Invest-in-Peace" initiative. Many countries, particularly those in post-conflict situations, would follow with great interest the further development of this initiative in Sri Lanka.

229. In his concluding remarks, the Deputy Minister for Industry, Tourism and Investment Promotion of Sri Lanka thanked delegates for the constructive feedback and their solidarity with Sri Lanka in its continuing efforts to make economic progress. He also thanked UNCTAD and UNDP for their continued valuable contribution to peace building and post-conflict reconstruction. He credited UNCTAD with developing individual studies of national investment situations that did not apply a "one size fits all" approach. He also underscored the priority that the Government of Sri Lanka gave to building strong economic integration with its neighbours.

CHAPTER VIII

MATTERS REQUIRING ACTION BY THE BOARD IN THE FOLLOW-UP TO THE ELEVENTH SESSION OF THE CONFERENCE AND ARISING FROM OR RELATED TO REPORTS AND ACTIVITIES OF ITS SUBSIDIARY AND OTHER BODIES

(Agenda item 9)

(a) Report on UNCTAD XI multi-stakeholder partnerships

230. For its consideration of this item, the Board had before it the following documentation:

“UNCTAD XI multi-stakeholder partnerships: Progress made since UNCTAD XI – Note by the UNCTAD secretariat” (TD/B/51/CRP.3).

231. The **Officer-in-Charge of UNCTAD**, introducing the item, recalled that the partnerships in the areas of ICT for development, commodities, investment and capacity building and training, including training, academic and research institutions, had been launched at UNCTAD XI. Concerning the partnership on ICT for development, there were two basic components. The first one was e-tourism. Its purpose was to promote the application of information and communication technologies in the sector of tourism so as to enable developing countries to exploit their tourism industry. So far, the efforts of UNCTAD had concentrated on elaborating the technical specifications to build the E-tourism platform, and consultations had been carried out with key players in this field. UNCTAD was now testing an e-tourism platform prototype that would be enriched with specific functionalities later on. For this purpose, a Trust Fund was being set up to implement the initiative.

232. The second component involved measuring ICT, and its purpose was to provide capacity building activities, such as on-site training in national statistical offices, technical workshops, training courses on information society statistics, and the preparation of a guidebook on information society indicators. This would require additional resources, and a donors meeting, hosted jointly by ITU and UNCTAD, would take place in Geneva on 18 October 2004. An international meeting on ICT indicators was planned for early 2005 with a view to agreeing on core ICT indicators collected by all countries and to discuss technical assistance needs of developing countries with regard to the compilation of indicators. The meeting would be a WSIS thematic meeting, and its outcome would be presented as an input to the second phase of the Summit, which would take place in Tunis in 2005.

233. In the field of investment, the main vehicle was the Investment for Development Partnership, designed to pursue synergies with institutions and organizations to increase the understanding of issues related to foreign direct investment (FDI) and to strengthen the capacity of developing countries to attract such investment and benefit from it. Under this partnership, a number of cooperation agreements had been formalized. Initial funding had been obtained for two sets of activities: the linkages project for Brazil, and the capacity building support for FDI statistics in Africa.

234. Under capacity building and training, the UNCTAD Virtual Institute on Trade and Development partnership had been launched to create a basis for systematic long-term cooperation with academia. It operated through a website and a network of universities. It aimed to assist universities to enhance their teaching and research in two ways: first, to provide access to UNCTAD resources, including research reports, training materials and pedagogical tools; second, to offer a possibility of closer cooperation with UNCTAD's ongoing activities and provide a vehicle for exchanges among member universities. Membership was open to academic institutions with graduate and post-graduate programmes in international economic and development issues that were interested in enriching their programmes and exchanging teaching resources and experiences. The institute now had six members, and the objective was to increase the membership to 15–20 in the coming 2 to 3 years.

235. The fourth partnership was the Partnership on Commodities. Its objective was to create an International Task Force on Commodities (ITFC), where all the stakeholders could meet and discuss commodity issues and find solutions to specific problems. The ITFC would comprise a core group of 30 to 40 high-level individuals representing the various stakeholders (Governments, international organizations, commodity-specific bodies, the private sector, the academic community and civil society). The secretariat had held consultations with stakeholders prior to and after UNTAD XI about the ITFC and had found them to be receptive to the idea. However, there had been difficulties on two fronts. First, there were some difficulties in identifying specific members for the Task Force, and suggestions or advice from stakeholders had not been forthcoming. The second difficulty lay in the availability of funding. The ITFC required additional funding to be operational, but so far there had been no positive response to the call for funding. It was suggested that further discussions be held with member States through either the Bureau or executive sessions of the Board to explore avenues for moving forward.

236. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that the ITFC was a very good platform for generating innovative ideas on turning the commodity sector into a key element in meeting the MDGs, in particular in reducing poverty. An overall vision highlighting the complementarities of various actions and initiatives taken by stakeholders in the commodity sector was missing, and that the ITFC was expected to fill that gap. He hoped that the secretariat would soon be able to muster the necessary resources for ITFC activities. The Group of 77 was pleased to see that the UNCTAD Virtual Institute was making progress in enlarging its membership and that it was becoming well equipped to support the research and training capacity of universities in developing countries. The Group also hoped that this activity would receive increasing support from donors. Concerning the Partnership on Investment for Development, the Group of 77 hoped that it could generate an integrated set of activities to amplify UNCTAD's current work on investment and to extend the outreach and developmental impact of that work. The partnership could also create a framework allowing for the mobilization of know-how and advice at the global and national levels and providing for additional channels to help countries attract FDI and build human resource and institutional capacity. The Group of 77 noted with satisfaction the progress being made on the ICT partnerships on e-measurement and global ICT indicators.

237. The representative of **Peru**, speaking also on behalf of **Bolivia, Colombia, Ecuador, Peru and Venezuela**, referred to the work that UNCTAD had developed in cooperation with the Andean Community Secretariat (CAN) and the investment promotion agencies of the

Andean member countries within the framework of the Investment for Development Partnership. The proposed partnership involved: image building, by establishing joint communication and information dissemination channels (e.g. Internet Investment Gateways); improvement of the investment climate, by establishing common monitoring mechanisms; strengthening of national investment promotion agencies, by improving their targeting capacity and their ability to network; and establishment of a public/private sector partnership towards increasing development benefits from foreign direct investment. All Andean member countries were active members of the World Association of Investment Promotion Agencies (WAIPA). Within the association, they had formed an informal subregional group that would serve as a platform for the interactive exchange of knowledge, which was one of the main objectives of the UNCTAD/WAIPA Investment for Development Network launched within the Partnership. The subregional group intended to act as a pilot project for the initiative, focusing on the implementation of Andean investment promotion strategy. The project's implementation required investment of about US\$ 1.5 million within two to three years and would need donor country commitments.

238. The representative of the **Netherlands**, speaking on behalf of the **European Union**, said that the EU was interested in hearing how some of the partnerships were being implemented, in particular the commodity partnership. In implementing these partnerships, there was an opportunity to build on lessons learned from previous experiences by exploiting UNCTAD's comparative advantage in dealing with trade and development issues. The success of the UNCTAD XI partnerships would depend on maintaining a sharp focus in terms of objectives and outcomes. It would be important to ensure that they were not weighed down with supplementary initiatives if their purposefulness and value-added was to be maintained. Finally, the EU would welcome regular written reporting on the partnerships.

239. The representative of **Nigeria**, speaking on behalf of the **African Group**, recalled that all groups had welcomed the multi-stakeholder partnerships at UNCTAD XI. These partnerships were in keeping with global trends, and the African Group appreciated UNCTAD's efforts in that regard. The African Group had stressed the importance of commodities several times in the course of the Board's session, including under the items on trade, African debt and LDCs. The African Group saw the ITFC has an attempt to overcome the increasing international neglect of commodity issues, and the ITFC should receive the necessary support from all partners in order to make it operational. In this regard, the Group called on donor countries to give support to this initiative. The Group also supported the suggestion to conduct further consultations on this matter.

Action by the Board

240. At its 961st plenary meeting, on 14 October 2004, the Board took note of the report by the secretariat on this item (TD/B/51/CRP.3).

(b) Hearing with civil society and the private sector, 4 October 2004, Palais des Nations, Geneva - Summary

241. Pursuant to the São Paulo Consensus, in particular paragraph 117, the Trade and Development Board arranged for a half-day informal hearing with representatives from civil society and the private sector, allowing them to express their views on issues before the Board. The hearing was held on 4 October 2004 and was attended by member States, civil society organizations and private entities.

242. The hearing was chaired by the representative of Zambia in his capacity as Vice-President of the Trade and Development Board. Following opening remarks by the Chairman and the Officer-in-Charge of UNCTAD, participants were given the floor to express their views on the agenda items of the hearing. A summary of the views expressed is presented below.

Trade and development issues

(a) *Trade liberalization*

243. If rapid trade liberalization resulted in rapid development gains, then such liberalization could be fully supported. But experience with liberalization garnered by developing countries had shown that the pace and sequencing of liberalization had to be calibrated and adapted to existing conditions in developing countries. The form and manner of liberalization, juxtaposed against individual country situations, were of paramount importance in determining the final development outcome of liberalization. In the first place, countries needed to build capacity and upgrade their industries, and then they could engage in international trade. Thus the sequencing of liberalization, together with State intervention in building domestic industries, was particularly important. Otherwise, unprepared local industries, especially small and medium-scale enterprises, would face increasingly cheap imports with no possibility of competing and would most probably abandon production, with negative social and development repercussions. So a proper trade and development policy should envisage gradual trade liberalization. UNCTAD had usefully pioneered such an approach to trade policy and trade liberalization through both research and collection of empirical evidence. UNCTAD should continue its assistance in fostering South-South trade and promoting more solidarity in the South.

(b) *Participation of LDCs and Africa in international trade*

244. The current debate at the global and regional levels on the trade and structural transformation necessary for LDCs to spur their development and reduce poverty levels was overloaded and confusing, and in many instances led to primary problems being taken for granted or subsumed. Three factors could be identified as the root cause of LDCs' failure to integrate substantially into global trade: (a) supply-side constraints, which might limit trade but were not the primary cause of LDCs' failure to increase their competitiveness. Factors like poor infrastructure, lack of functioning markets and institutions, and lack of resources, both human and financial, were important contributing factors. This pointed to the need for overall economic reform initiatives; (b) market access problems; it was thought that these could be sorted out by elimination of barriers and opening of markets in the North, but many LDCs had a very low export response even if markets were opened. Programmes like EBA, AGOA and the GSP had not had significant effects in such countries owing to weak or lack of supply response; (c) WTO negotiations, including the Doha round; these could only be useful if there were tangible supply responses, which did not seem to be the case for LDCs. A similar situation confronted African countries. Constraints on the supply side were jeopardizing the opportunities being offered by market access opportunities. If supply constraints were not properly addressed, it would be difficult to achieve the MDGs, reduce poverty and improve quality of life of households.

245. Several challenges needed to be tackled to integrate LDCs, and Africa, more fully into the international trading system. The questions that had to be asked included: (a) could the focus on the three factors above (supply-side constraints, market access and WTO

negotiations) actually promote trade competitiveness based on productive capacity promotion; (b) what kind of trade did LDCs need – fair trade, growth-oriented trade, or poverty reduction trade; (c) would export growth automatically reduce poverty; (d) was there overemphasis on trade responsiveness, as against other complementary policies in areas of weakness, including agriculture, industrial and service sectors and their relationship with FDI, trade reforms and aid; and (e) finally, how could multilateral, regional and national trade initiatives for development be synchronized and other state and non-state actors be involved. Four priority action areas were identified: national trade policy and strategies, mobilizing economy-wide initiatives incorporating national interests; concurrent attention to trade-complementary policies; trade facilitation by the public sector through the creation of an enabling environment for the private sector; and assigning roles and responsibilities to all stakeholders. LDCs should be allowed the policy space to prioritize their needs, and UNCTAD was called upon to assist them.

(c) *Policy space*

246. The São Paulo Consensus, in a groundbreaking development, identified the need for policy space for Governments. This meant that the trade-off between international rules and obligations on the one hand and the policy space available to Governments on the other needed to be evaluated and a proper balance between them eventually achieved.

(d) *Trade and gender*

247. The event on gender and trade at UNCTAD XI had been a success, but concerns were expressed about the lack of active and visible follow-up after São Paulo. A proactive approach was required. The role of UNCTAD as the focal point for the UN-Inter-agency Task Force on Gender and Trade meant that it should mainstream gender internally in its own work and coordinate among the different agencies involved. Activities would have to be strengthened in particular in the light of the forthcoming reviews on the Millennium Summit and the Beijing Conference, in particular as they related to the Millennium Goals and their achievement. Specific areas where gender should be specifically addressed included: (a) gender in relation to the policy space debate, (b) gender impact assessment in respect of trade policies and trade liberalization, (c) data collection, especially disaggregated data reflecting differences between men and women in terms of economic opportunities, (d) analysis and research taking into account the gender dimension, and (e) empowering women as actors and as beneficiaries of trade policies aiming at economic growth. Generally speaking, gender issues and the disparities between men and women had not been dealt with properly, either by international trade policies or by national policies. Often the gender dimension was ignored, sometimes on purpose and sometimes just because people were blind to it. Poverty alleviation could not be properly addressed if the gender dimension was not taken duly into account.

(e) *The WTO July package*

248. The São Paulo Consensus had helped make possible the July package adopted by WTO Members on 1 August 2004. Two major positive signs had emerged from the July package. First, three out of the four Singapore issues had been dropped from the agenda, relieving developing countries of excessive strain on their negotiating capacity and avoiding negotiations in new areas that would have constrained their policy space even further in important areas for development. Second, the commitment to eliminate export subsidies was a welcome development, though the question as to when this would be done remained open.

249. There were also some worrying trends in the July package. As regards NAMA, the proposed formula would cut tariffs aggressively and rapidly, particularly for developing countries, creating a threat for unprepared domestic industries. Second, it was proposed to bind almost all national tariffs at a rate equivalent to two times the current applied rates, which could also lead to dramatic cuts. On agriculture, while the commitment to eliminate export subsidies was welcome, gauging the result with regard to domestic subsidies was difficult, as there still appeared to be sufficient room to simply shift support from one box to another with little impact on the overall level of support. For example, no mention was made of reducing the *de minimis* level of support used by developed countries. On market access, the proposed formula called for deeper tariff cuts than the Uruguay Round formula. It was highly unfair for developed countries to maintain domestic support while requiring developing countries to open national markets even further. The identification of special products for developing countries was encouraging, but more should be done. Also, the definition of special products for developed countries was not clear. On top of these specific issues, important cross-cutting issues like special and differential treatment, implementation issues and preferences had not been dealt with adequately in the July package. They should be given top priority, even in relation to negotiations on agriculture and NAMA. UNCTAD had a major role to play in the multilateral trading system, particularly in areas that the WTO was not well equipped to deal with, like commodities, trade and technology, trade and finance, and trade and globalization.

250. Another worry was that the WTO decision-making process had to be made more transparent and inclusive. Even the agreement on the July Package was reached with the involvement of a selected set of a few countries, while the impact of the decisions would be felt in many other countries.

Commodities

251. Commodity issues were stressed as a priority for developing countries, as at UNCTAD XI. The decision taken at UNCTAD XI to create an International Task Force on Commodities (ITFC) was welcome. The Task Force should be provided with all necessary resources to become operational as soon as possible, and should then formulate strong proposals for institutional changes for discussion at the 2005 Millennium Summit+5 review. These proposals should include measures to stop dumping of agricultural commodities by developed countries, mechanisms to control excessive market power of large agribusiness companies, and new schemes to manage global commodity supply. UNCTAD should continue its efforts to break the "conspiracy of silence" on commodity issues, focusing on structural issues and possible longer-term policies and practices that would alleviate the lot of hundreds of millions of small farmers. It was noted that there were large differences between commodity sectors, and that the ITFC would have to work across the board to identify specific solutions to each sector's problems.

Future of UNCTAD

252. If UNCTAD was to have a future, it must establish that it was useful and credible to its own Members. It would also help if external actors could see UNCTAD as relevant. The four main functions that UNCTAD featured in its web site with regard to its "core" work did not entirely reflect reality – UNCTAD did much more than that and did it well. Specifically, in line with the São Paulo Consensus, UNCTAD needed to take actions in the following areas: (1) promoting policy coherence amongst a wider range of bodies, as suggested by the

Cardoso Panel; (2) enhancing work on "policy space" to enable developing countries to set their own development priorities; this also meant revisiting and changing the Washington Consensus; (3) dealing with the pressing concerns of the bulk of the world's agricultural and rural producers who depended on basic commodities for their own and their communities' existence; (4) promoting gender equity and balance, including through impact assessments that included social and gender impacts; (5) playing a lead role in promoting and defending an independent contribution to trade and development issues, and working closely with civil society groups; (6) continuing as a forum for developing countries to meet to obtain advice and analysis that helped them negotiate effectively in the WTO; and (7) promoting wider adherence to the OECD guidelines for multilateral enterprises with a view to engendering wider corporate social responsibility and allowing people in developing countries more say in how investment and development occurred in their communities.

253. In dealing with trade issues, more emphasis should be given to income distribution and distribution of gains from world trade, which were key to reaching the MDGs. Special attention should also be given to promoting "decent" employment in both the formal and the informal sectors, stressing the quality of employment and the rights and obligations of those doing the work and those who employed them.

UNCTAD's contribution to the implementation of and follow-up to the outcomes of major United Nations Conferences and summits in the economic and social fields

254. The Millennium Summit+5 review by the United Nations General Assembly in September 2005 would provide a major occasion for the review of progress towards attainment of the MDGs. Civil society was preparing inputs for the review. Findings from a number of regional preparatory events by civil society could be informative, in particular as regards MDG8. Real and concrete progress depended on accommodating international cooperation and development solidarity, and the prime responsibility for that fell on developed countries. Civil society organizations in developed countries needed to build strong development coalitions to influence Government actions in bringing about changes in the international monetary, financial and trading system towards the objectives delineated in MDG8. There was a need to raise public awareness about the impact of developed countries' policies on the trade and trade potential of developing countries, so as to minimize those that negated development and aggravated poverty. In this regard, the recent decision by the United Kingdom to cancel all the debts of LDCs was a welcome development.

255. In international trade negotiations and agreements, there was a need to ensure conformity with human development and human rights. Also, enhancing the impact of trade in terms of reducing poverty and promoting development required increased emphasis on small-scale farmers and market access and entry for their products, as well as the development of supportive trade infrastructure, particularly transportation facilities and linkages. At the national level, Governments needed to explicitly integrate the MDGs into their national development plans and policies, regularly monitor progress in their implementation, report on progress attained, and take steps as necessary to advance progress. In developing countries, the MDGs must be adapted to each country's domestic situation – there could not be a "one size fits all" approach to infusing the MDGs into the development process. UNCTAD could play a supportive role as a competent and reliable partner in the follow-up to the implementation of the MDGs. Its participation in the high-level meeting of the Economic and Social Council in April each year was welcome. That high-level dialogue should be transformed into a "Development Council" to review the attainment of the MDGs.

256. The NGO community welcomed UNCTAD's active engagement in the World Summit on the Information Society (WSIS), recognizing that the ICT challenge was a critical component of the MDGs; the latter could not be achieved without meaningful cooperation and communication among all sectors of the UN constituency, civil society and the private sector.

257. NGO representatives expressed their willingness to bring to bear their experience, creativity, advocacy, knowledge of grassroots realities and capacity for mobilization in joining forces with UNCTAD to facilitate the implementation of the Millennium Declaration and the MDGs.

Action By the Board

258. At its 962nd plenary meeting, on 15 October 2004, the Board took note of the President's summary of the discussions under this item (TD/B/51/L.3).

259. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that civil society's inputs to the Board's deliberations had been useful. The contacts with civil society at the hearings organized during the run-up to UNCTAD XI and at the parallel events at the Conference itself had been very positive as well. Forging partnerships with civil society had been one of Mr. Rubens Ricuperro's main objectives, and the members of UNCTAD and the secretariat should pursue that goal even further.

(c) Report of the Working Party on the Medium-term Plan and the Programme Budget on its forty-third session, 13-17 September 2004

260. The representative of **India**, speaking in her capacity as **Vice-Chairman-cum-Rapporteur of the Working Party at its forty-third session**, introduced the report of the Working Party.

261. The Board took note of the report of the Working Party on its forty-third session (TD/B/WP/176), and endorsed the agreed conclusions of the Working Party on "Review of the UNCTAD programme of work for the biennium 2004-2005, in the light of the outcomes of the eleventh session of the Conference", "Follow-up to the evaluation of UNCTAD's trade, environment and development programme", and "Evaluation plan".

262. The representative of the **Netherlands**, speaking on behalf of the **European Union**, said that the discussions in the Working Party on the implementation of the outcomes from São Paulo had shown that it was difficult to introduce changes in an ongoing work programme but had set a good tone for the discussions in January 2005 on the work programme for 2006-2007. It would be essential to use that occasion to focus on the priority areas of UNCTAD. Good governance should be one area of focus, added emphasis should be placed on Africa, and LDCs should be structurally mainstreamed into the various areas of work. This approach would also require setting priorities and streamlining management within available resources. The EU emphasized the relevance of a focused approach within a set of priorities relating directly to the intersection of trade and development; the opportunities to work effectively with other international organizations; the need to avoid duplication of activities; and the need to be cost-effective. The EU was looking forward to

continuing the dialogue on many of these points with the incoming management of the secretariat.

263. The representative of **Benin**, speaking on behalf of **LDCs**, said that the São Paulo Consensus placed particular emphasis on the concerns of LDCs, and this should be reflected in the UNCTAD work programme. The special needs of these countries should be properly addressed through the provision of more assistance from UNCTAD. He expected that the needs of LDCs would be properly reflected in the new programme budget for 2006-2007, in line with the São Paulo Consensus. He welcomed the appointment of the Director for LDCs.

264. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, noting the statements by the EU and Benin, said that the Group was ready to engage in constructive consultations so that the concerns raised by the LDCs would find an appropriate solution.

265. The **Officer-in-Charge of UNCTAD** provided an explanation of the legal and administrative status of the Special Programme for Least Developed, Landlocked and Island Developing Countries.

Chapter IX

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 10)

(a) **Progressive development of the law of international trade: Thirty-seventh annual report of the United Nations Commission on International Trade Law (14-25 June, New York)**

266. For its consideration of this item, the Board had before it the following documentation:

“Progressive development of the law of international trade: thirty-seventh annual report of the United Nations Commission on International Trade Law: Note by the UNCTAD secretariat” (TD/B/51/7);

“Report of the United Nations Commission on International Trade Law on its thirty-seventh session” (A/59/17).

267. The **Rapporteur of the United Nations Commission on International Trade Law at its thirty-seventh session**, introducing the Commission’s report, said that the thirty-seventh session of UNCITRAL had been the first with the expanded membership of 60 States. The major achievement of the session had been the adoption of the UNCITRAL Legislative Guide on Insolvency Law designed to assist States in establishing strong, effective and efficient insolvency and reorganization regimes. Together with the UNCITRAL Model Law on Cross-Border Insolvency, the Legislative Guide would be useful as a reference both for States that did not have an effective insolvency regime and for States that were modernizing of their insolvency regimes. In the area of settlement of commercial disputes, work continued on revisions to the 1985 Model Law on International Commercial Arbitration related to interim measures of protection. In the area of transport law, the draft instrument on the carriage of goods wholly or partly by sea was under preparation, requiring a delicate balance between the various controlling interests at stake. In the area of electronic commerce, the work on a draft Convention dealing with selected issues of electronic contracting was well advanced, and the Commission expected to finalize the draft at its next session. In the area of security interests, work was progressing on a draft legislative guide on secured transactions, which was closely linked to the Legislative Guide on Insolvency Law and intended to assist States in the development of modern secured transactions laws, the aim being to promote the availability of low-cost secured credit. Another project had been added to the Commission’s work programme as a result of the decision to revise its 1994 Model Law on Procurement of Goods, Construction and Services.

268. UNCITRAL was determined to strengthen its capacity to make legislative texts known to end-users and promote their adoption and uniform application and interpretation. To that end, the Commission had discussed practical means of enhancing training and technical assistance, cooperation among international organizations, and partnerships with civil society, in particular the private sector.

269. The beneficial integration of developing countries into the international trading system could not be achieved without modernized and harmonized national legislation.

UNCITRAL texts served precisely to harmonize and modernize national commercial legislation. The efforts by the international community to prepare legislative texts would be wasted if their adoption and wider use were not adequately promoted as models for assisting developing countries with law reforms. Where they were adopted, they must be implemented adequately and interpreted uniformly. UNCITRAL had developed a system for the collection and dissemination of case law related to UNCITRAL texts, known as CLOUT, and had worked on digests of case law. UNCTAD's law reform and technical assistance programmes to some extent overlapped with UNCITRAL programmes, and it would be useful to achieve more extensive use of UNCITRAL texts in those programmes and greater coordination of activities. Avenues for closer cooperation should be explored, in particular the sharing of expertise and experience in building partnerships with civil society and fund raising.

270. The representative of **Nigeria** said that his country appreciated the work of UNCITRAL and found the model laws extremely useful. It also appreciated the cooperation between UNCTAD and UNCITRAL.

271. The representative of **Mexico** noted with satisfaction the progress made by UNCITRAL in its work on insolvency law and e-commerce.

272. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, welcomed UNCITRAL's work on arbitration and e-commerce, as well as the cooperation between UNCTAD and UNCITRAL.

273. The President said that it would be useful for UNCITRAL to cooperate with the Advisory Centre on WTO Law in Geneva.

274. The **Secretary of UNCITRAL** said that the WTO had made tremendous progress in opening markets, but many developing countries had not been able to benefit. As tariff and non-tariff barriers to international trade were eliminated or reduced, other barriers became evident, including outdated national laws that did not promote contract discipline and modern practices. While the WTO tackled tariff and non-tariff barriers, UNCITRAL sought to help individual traders take advantage of open markets, and there was no overlap between the roles of the two organizations.

275. UNCITRAL reported not only to the General Assembly but also to the Trade and Development Board, the reason being that the goals of UNCTAD and UNCITRAL were complementary, with some overlap. It was therefore important to explore possibilities for further cooperation. UNCTAD delivered technical cooperation in the area of trade facilitation, but its advisory services did not always cover UNCITRAL texts. UNCITRAL therefore wanted to work more closely with UNCTAD in order to integrate its texts into UNCTAD activities. The UNCITRAL secretariat was small, and until recently its technical cooperation activities had been limited. Now, however, its resources had been expanded, and it had established a second pillar of activity focusing on technical cooperation, hence the desire to work more closely with UNCTAD.

276. The **Officer-in-Charge of UNCTAD** said that UNCTAD and UNCITRAL were already cooperating, but mainly in terms of exchange of information and attendance at meetings. The proposal for the two organizations to work together on technical cooperation was therefore very interesting, since UNCTAD was engaged in technical cooperation in the

area of national trade law. The UNCTAD secretariat would look at the proposal positively with a view to discussing ways of making it operational.

277. The representative of the **Netherlands**, speaking on behalf of the **European Union**, said that the presentation on UNCITRAL had been extremely valuable.

278. The **Rapporteur of UNCITRAL** at its thirty-seventh session said that one example of cooperation between WTO and UNCITRAL concerned public procurement of goods and services. One of the goals of WTO was to open public procurement to competition, and it had produced guidelines to that end. For its part, UNCITRAL had produced a Model Law on Public Procurement in 1994, developing the WTO guidelines.

Action by the Board

279. At its 962nd plenary meeting, on 15 October 2004, the Board took note of the report of UNCITRAL on its thirty-seventh session (A/59/17).

CHAPTER X

INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

(Agenda item 11)

(a) Report by the President of the Advisory Body set up in accordance with paragraph 166 of the Bangkok Plan of Action on the implementation of courses by the secretariat in 2003-2004 and their impact

280. The **President of the Board at its fiftieth session**, speaking in his capacity as **President of the Advisory Body**, said that the Advisory Body had been established by the Board at its forty-seventh session in 2001 to advise the Secretary-General of UNCTAD on the broad objectives, content and structure of the regular training courses provided for in paragraph 166 of the Bangkok Plan of Action. Since October 2003, the Advisory Body had held three meetings – in January, June and September – to review the implementation of the courses, two of which had been delivered so far in 2004.

281. The first course had taken place in January-February 2004 in Mauritius for the African region, and the second course had been held in Prague in July 2004. A third course for trade officials and academics from the Asia-Pacific region was scheduled to take place in Hanoi, Viet Nam, in November-December 2004. At its last meeting in September, the Advisory Body had also approved the next regional course for the Latin American and Caribbean region, which would take place in Havana, Cuba, in February-March 2005. These courses continued to give a comprehensive picture of UNCTAD's field of work, with a focus on two Singapore issues, namely trade facilitation and investment.

282. The secretariat had circulated a questionnaire to Geneva-based delegations asking whether they would like to have short courses based on paragraph 166 held in Geneva. Given the high demand and positive response, the first of these courses had been held from 20 to 21 September 2004. Attendance at the course had been commendable, and delegations had requested further courses. He trusted that the secretariat would organize other such courses shortly.

283. The secretariat had so far trained a total of 152 trade officials from various Ministries of Trade and Industry and/or Commerce from developing countries and countries with economies in transition. There had been very positive feedback from participants and their respective Ministries on the conduct of the courses. There was general agreement that the objectives as envisaged under paragraph 166, in particular in terms of the transfer of knowledge, had been fully met during the courses.

284. When evaluating the impact of courses on the professional development of participants, all respondents to questionnaires had indicated noticeable/substantive improvement in their knowledge, including in its application and dissemination to a large audience in their respective working places. Similarly, most supervisors reported the high value added in terms of job performance by the participants as a result of the course,

including a very high rate of information and knowledge sharing within departments. All supervisors indicated that they would nominate other colleagues for future courses.

285. The course in Havana, Cuba, in February-March 2005 would be the last course organized with funds from the Development Account. Funds from that Account had been intended to finance a total of six courses, but through careful use of resources, the secretariat had managed to organize two additional courses. He called on Member States to provide funding for this activity. At its forty-third session, the Working Party had agreed that an evaluation of these training courses should take place in 2005, and he requested Member States to support the evaluation team in this endeavour.

Action by the Board

286. At its 961st plenary meeting, on 14 October 2004, the Board took note of the report by the President on this item.

CHAPTER XI

CLOSING STATEMENTS

287. The **Officer-in-Charge of UNCTAD** said that the Board's session had been successful and had led to a genuine exchange of views. On the new geography, the secretariat had listened carefully to all points of view and would be tabling ideas on how to proceed further. With regard to the post-Doha work programme, he welcomed the general consensus that UNCTAD XI had made a positive or even decisive contribution to the discussions that had led to the July Package. On African debt, it would be wrong to belittle what had been achieved, since new elements had been introduced and the secretariat could now incorporate these elements into its work. Concerning governance, UNCTAD had many related areas of action, for example Customs, debt management, competition regulation, and standards of accounting and reporting, but it did not have the framework that would allow it to maximize the impact of all its activities. The secretariat would be making suggestions on how achieve coherence among the activities in question.

288. On procedural issues, some of the discussions had been more interactive than others, and the key factor was probably the nature of the topic – it was probably easier to have a free-flowing discussion on mature topics than on new topics. However, the idea of enhancing interactivity was the right one, and the secretariat would be making suggestions in that connection. Finally, it would be useful to organize the discussions on Africa and LDCs in such a way that common features of the two issues could be linked.

289. The representative of **Benin**, speaking on behalf of the LDCs, welcomed the Board's clearly expressed solidarity with LDCs. However, much remained to be done, and the goals were far from being attained. He thanked donors for their contributions to UNCTAD activities. It was not easy to ask for money all the time, but the LDCs did it in the hope that one day they also would be in a position to give. The LDCs wanted to take off, but for that they needed a base. Along the coasts of Italy, people were dying in their quest for salvation, and like them the LDCs needed a helping hand. To live well, a person living in an LDC needed one-tenth of what a person living in a developed country needed.

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Annex

ATTENDANCE *

1. Representatives of the following States members of the Trade and Development Board attended the session:

| | |
|--|----------------------------|
| Afghanistan | Ethiopia |
| Algeria | Finland |
| Angola | France |
| Argentina | Germany |
| Australia | Ghana |
| Austria | Greece |
| Azerbaijan | Guinea |
| Bahrain | Haiti |
| Bangladesh | Honduras |
| Barbados | Hungary |
| Belarus | India |
| Belgium | Indonesia |
| Benin | Iran (Islamic Republic of) |
| Bhutan | Iceland |
| Bolivia | Ireland |
| Botswana | Israel |
| Brazil | Italy |
| Bulgaria | Jamaica |
| Cameroon | Japan |
| Canada | Jordan |
| Chile | Kenya |
| China | Latvia |
| Colombia | Lesotho |
| Costa Rica | Libyan Arab Jamahiriya |
| Côte d'Ivoire | Luxembourg |
| Croatia | Madagascar |
| Cuba | Malaysia |
| Cyprus | Mali |
| Czech Republic | Malta |
| Democratic People's Republic of Korea | Mauritania |
| Democratic Republic of Congo | Mauritius |
| Denmark | Mexico |
| Dominican Republic | Mongolia |
| Ecuador | Morocco |
| Egypt | Mozambique |
| El Salvador | Myanmar |
| | Nepal |

* For the list of participants, see TD/B/51/INF.1.

| | |
|-----------------------|---|
| Netherlands | Slovenia |
| Nicaragua | South Africa |
| Nigeria | Spain |
| Norway | Sri Lanka |
| Oman | Sudan |
| Pakistan | Switzerland |
| Panama | Syrian Arab Republic |
| Paraguay | Thailand |
| Peru | Tunisia |
| Philippines | Turkey |
| Poland | United Arab Emirates |
| Portugal | United Kingdom of Great Britain and Northern Ireland |
| Republic of Korea | United Republic of Tanzania |
| Republic of Moldova | United States of America |
| Romania | Uruguay |
| Russian Federation | Venezuela |
| Saudi Arabia | Viet Nam |
| Senegal | Yemen |
| Serbia and Montenegro | Zambia |
| Singapore | Zimbabwe |
| Slovakia | |

2. Representatives of the following States members of UNCTAD not members of the Trade and Development Board attended the session:

| | |
|--------------------|------------|
| Bosnia Herzegovina | Kazakhstan |
| Cambodia | Estonia |
| Rwanda | Holy See |

3. The following observer was represented at the session:

Palestine

4. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
African Union
European Community
International Textiles and Clothing Bureau

5. The following United Nations Organization was represented at the session:

Economic Commission for Africa
Economic Commission for Europe
International Trade Centre
United Nations Commission on International Trade Law

6. The following specialized agencies and related organizations were represented at the session:

Food and Agriculture Organization of the United Nations
United Nations Educational, Scientific and Cultural Organization
United Nations Environment Programme
United Nations Industrial Development Organization
World Trade Organization

7. The following non-governmental organizations were represented at the session:

General Category

Exchange and Cooperation Centre for Latin America
Engineers of the World
International Centre for Trade and Sustainable Development
International Confederation of Free Trade Unions
Public Services International
Third World Network
World Association of Small and Medium Enterprises

Special Category

International Ocean Institute

8. The following invitees attended the session:

High-level segment

Mr. Supachai Panitchpakdi, Director General, WTO

*Hearing with civil society
4 October 2004*

Trade And Development Related Issues

Ms. Elizabeth A. Eilor, African Women's Economic Policy Network, Kampala, Uganda

Ms. Janice Goodson Foerde, International Coalition for Development Action, (ICDA), Women and Development (KULU), Copenhagen, Denmark

Mr. Martin Khor, Third World Network (TWN), Penang, Malaysia

Mr. Josaphat P. Kweka, Economic and Social Research Foundation (ESRF), Tanzania

Commodities

Ms. Kristin Dawkins, Institute for Agriculture and Trade Policy (IATP), United States of America

Ms. Micheline Makou Djouma, Organization For Promoting International Economical Cooperation (OCAPROCE), Yaoundé, Cameroon

Future of UNCTAD

Mr. Mike Waghorne, Public Services International (PSI), France

UNCTAD's contribution to the implementation of and follow-up to the outcomes of the major United Nations Conferences and summits in the economic and social fields

Ms. Renate Bloem, Conference of Non-Governmental Organizations in Consultative Relationship with the United Nations (CONGO), Geneva

Investment Policy Review of Sri Lanka
6 October 2004

Mr. Miguel Bermeo, UN Resident Coordinator and UNDP Resident Representative, Sri Lanka

Mr. Davi Galvao, Galvao Gems, Switzerland

Mr. Ivo Kaufmann, Head, International Investment and Multinational Enterprises, State Secretariat for Economic Affairs, Bern, Switzerland

Mr. Katsuhito Kono, FDK Lanka (Pvt), Ltd., Sri Lanka

Exchange rate effects on trade and implications for the international trading and financial systems
7 October 2004

Ms. Guadalupe Mántey De Anguiano, National Autonomous University of Mexico (UNAM), Mexico

Mr. Manuel Montes, Ford Foundation, New York, United States of America

Mr. Ugo Panizza, Inter-American Development Bank (IADB), Washington D.C., United States of America

Debt and development in Africa
11 October 2004

Mr. Ernest Aryeetey, Director, Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, Legon, Ghana

Ms. Ann Pettifor, Senior Associate, New Economics Foundation and Co-Founder of Jubilee 2000, London, United Kingdom

Mr. Samuel Wangwe, Executive Director, Economic and Social Research Foundation (ESRF), Dar Es Salaam, Tanzania

Linking international trade with poverty reduction in least developed countries
13 October 2004

H.E. Mr. Gyan Chandra Acharya, Ambassador, Permanent Mission of Nepal, Geneva

Mr. J. Denis Belisle, Executive Director, International Trade Centre, Geneva

Mr. Giovanni Andrea Cornia, Professor, Department of Economics, University of Florence, Florence, Italy