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

Held at the Palais des Nations
from 4 to 15 October 2004

Rapporteur: Mr. Patrick Krappie (South Africa)

Speakers:

President of the Board

Officer-in-charge of UNCTAD

Brazil for the G77 and China

Chile for the Latin American and

Caribbean Group

Romania for Group D

Nigeria for the African Group

Pakistan for the Asian Group and China

Benin for the LDCs

Netherlands for the European Union

Switzerland

United States of America

Barbados

Venezuela

Note for delegations

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

Requests for amendments to statements by individual delegations should be communicated by **Tuesday, 19 October 2004** at the latest, to:

UNCTAD Editorial Section, Room E.8108, Fax No. 917 0056, Tel. No. 917 5656

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. 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.

II. PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

A. Opening of the session

13. The fifty-first session of the Trade and Development Board was opened on 4 October 2004 by Mr. Sha Zukang (China), the outgoing President of the Board.

B. Election of officers

(Agenda item 1 (a))

14. At its 956th (opening) plenary meeting, on 4 October 2004, the Board elected Mrs. Mary Whelan (Ireland) by acclamation as President of the Board for its fifty-first session.

15. Also at its opening plenary meeting, the Board completed the election of officers to serve on the Bureau of the Board at its fifty-first session by electing 10 Vice-Presidents and the Rapporteur. Accordingly, the elected Bureau was as follows:

President:	H. E. Mrs. Mary Whelan	(Ireland)
Vice-Presidents:	Mr. Iouri Afanassiev	(Russian Federation)
	Mr. Luciano Barillaro	(Italy)
	H.E. Mr. Doru Romulus Costea	(Romania)
	H.E. Ms. Sarala M. Fernando	(Sri Lanka)
	Mr. Kiminori Iwama	(Japan)
	Ms. Melissa J. Kehoe	(United States)
	Mr. Ernesto Martínez Gondra	(Argentina)
	H.E. Mr. Jorge Ivan Mora Godoy	(Cuba)
	H.E. Mr. Love Mtesa	(Zambia)
	Ms. Preeti Saran	(India)
Rapporteur:	Mr. Patrick Krappie	(South Africa)

16. In accordance with past practice, the Board agreed that the regional coordinators and China, as well as the Chairpersons of the Sessional Committees, would be fully associated with the work of the Bureau.

C. Adoption of the agenda and organization of the work of the session

(Agenda item 1 (b))

17. At its opening meeting, the Board adopted the provisional agenda for the session contained in TD/B/51/1. (For the agenda as adopted, see annex ... below.)

18. At the same meeting, the Board established two sessional committees to consider and report on items on its agenda as follows:

Sessional Committee I on item 4: Review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010;
Sessional Committee II on item 5: Economic development in Africa: Issues relating to Africa's debt sustainability.

19. The following officers were elected to serve on the Bureau of Sessional Committee I:
Chairperson: Ms. Mary Whelan (Ireland);
Vice-Chairperson-*cum*-Rapporteur:

20. The following officers were elected to serve on the Bureau of Sessional Committee II:
Chairperson: Mr. Ousame Camara (Senegal)
Vice-Chairperson-*cum*-Rapporteur: