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

Held at the Palais des Nations, Geneva,  
from 3 to 14 October 2005

Volume II

**Summary of proceedings**

## **PREFACE**

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

All other matters relating to the fifty-second 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.

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\* See TD/B/52/10 (Vol. I).

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## Chapter I

### I. OPENING STATEMENTS

1. The **Secretary-General of UNCTAD** put forward some ideas on how the work of UNCTAD should be conducted in the coming years in order to make the organization more relevant to the rapidly changing world. UNCTAD should emerge from the UN reform process as a more focused and stronger organization, building on its great tradition of promoting trade and development. The first priority should be the successful implementation of the outcomes of UNCTAD XI, focusing on areas where the organization could really make a difference. The objective should be to achieve results on the ground. A more focused, results-oriented and transparent approach to UNCTAD's work was needed so that it had an impact on three key levels: national, regional and multilateral. At the national level, research and analytical capacity should address policy issues of direct specific concern to developing countries, and technical cooperation activities should be directly relevant to beneficiary countries. Engagement at the country level would help attain the objective of strengthening developing countries' supply capacities and competitiveness so that they could benefit fully from the Doha round. At the regional level, UNCTAD should continue to provide advisory and analytical support to regional and subregional integration groups, further assisting in making them operational and increasing intraregional trade. At the multilateral level, UNCTAD should assist countries in trade negotiations, helping them build their capacity to trade, and should conduct research and analysis on key issues of concern to developing countries. The organization had a key role to play in areas such as trade policy, investment, technological upgrading, trade facilitation and enterprise competitiveness. Challenges, such as problems arising from erosion of preferences, should be anticipated, and countries should be assisted in their efforts to meet new adjustment requirements.

2. In addition to trade, there were three areas in need of stronger focus in the future: countries in special situations, such as LDCs; science and technology, which was considered one of the key elements for reducing poverty and upgrading productive capacity; and South-South cooperation, crucial for economic growth and for diversifying trading opportunities of developing countries. In order to achieve these objectives, the three pillars of UNCTAD should be streamlined and strengthened. Consensus-building work should be more effective, relevant and results-oriented, and it should be pursued with more consistency and determination. Research and analysis work should be internally coherent and its results directly relevant to countries in greatest need of assistance. Similarly, more targeted and better-defined technical cooperation work would generate better results than uncoordinated activities.

3. The outcome of the World Summit covered development-related aspects, such as trade, investment, debt, science and technology, countries in special situations, and South-South cooperation. This should encourage UNCTAD to address them more forcefully. In order to accomplish its tasks, the organization would have to work as a team, creating synergies and engaging in regular dialogue with member States. Efforts should be made to ensure transparency and information sharing, as well as frank and open discussion in addressing real issues. Accountability should be another factor of the greatest importance, and it would be imperative to speak with one voice and always with a focus on the central perspective, namely development. UNCTAD would have to work more closely with other international organizations that provided complementarity or offered country presence.

Particular importance was attached to the involvement of non-State actors, as the private sector and civil society had become major players in the development process.

4. The representative of **Egypt**, speaking on behalf of the **African Group**, said that it was imperative to consolidate the outcome of the Board's session and make it more relevant to UN processes in New York, especially the work of the Second Committee. This was all the more important since everyone had to follow up on the World Summit outcome and implement its commitments as they related to development. His delegation attached great importance to enhancing UNCTAD's role in the follow-up to major UN conferences in the economic and social fields, as well as its contribution to regional and interregional processes, including the New Asian-African Strategic Partnership. The Board's discussions under agenda item 3 would be a useful opportunity to reach consensus on the common denominators of the challenges that lay ahead.

5. At its Seventh Ordinary Session, held from 28 June to 2 July 2005, the Executive Council of the African Union had welcomed the decision of UNCTAD XI to have the twelfth session of the Conference hosted in Africa in 2008, thus recognizing the special attention that needed to be paid to Africa's trade and development. It had also commended Ghana on its successful bid to host the Conference. Accordingly, he was honoured to present the candidacy of Ghana to host UNCTAD XII and requested the Board to take the necessary action to endorse the nomination.

6. The representative of **Ghana** said that he had the honour, on behalf of the President and Government of Ghana, to convey to the Board Ghana's acceptance to host UNCTAD XII in Accra in 2008, on behalf of Africa. Ghana would consult with her African brotherly Governments in the preparatory phase and would seek to draw on their rich experience. It was committed, at the highest political level, to ensuring a successful Conference, and it was confident that it could count on the total support of all during the preparatory process.

7. The representative of **Afghanistan**, speaking on behalf of the **Group of 77 and China**, stressed that the Board should ensure that its work had a direct bearing on current processes, such as those of the Millennium Summit and WTO negotiations. UNCTAD should help developing countries identify the way forward in enhancing the development agenda, so that the specific needs and conditions of individual developing countries were addressed. In order to do completely away with the one-size-fits-all approach to development, it was important to explore ways in which the intergovernmental machinery of UNCTAD could be strengthened to maintain its stature in the UN system and in the field of development, including its capacity to do cutting-edge policy analysis, forge intergovernmental consensus, and implement technical cooperation. The idea of synchronizing UNCTAD's calendar with that of the General Assembly should be considered, so that the results of its meetings could complement the work of the General Assembly and other relevant fora. In this context, it would be productive if a consensus could be reached on the common denominators of global economic interdependence, particularly on the challenges that lay ahead. The nature and mechanisms of UNCTAD's contribution to the follow-up and implementation of major UN conferences in the economic and social fields should be strengthened. UNCTAD should continue contributing to regional and interregional processes, including the GSTP and the New Asian-African Strategic Partnership. It was hoped that a lasting solution to the problem of financing of experts could be reached.

8. The representative of the **United Kingdom**, speaking on behalf of the **European Union (EU) and the acceding countries Bulgaria and Romania**, said that over the years

UNCTAD had made several pertinent contributions to issues at the intersection of trade and development. Its tremendous data and research capacity was one of UNCTAD's assets. Used in a forward-looking way, that analytical capacity could contribute strongly to reinforcing UNCTAD under the new management, speaking with one voice on major topics. UNCTAD had many times pointed to the problems of debt-ridden developing countries and had made its contribution to the essential general discussion on the ensuing problems. The path to complete debt relief had been cleared with the G8 proposal to cancel 100 per cent of the debt of some of the world's poorest countries. The current year had been marked by major developmental landmarks, such as the publication of *Our Common Interest* by the 17 independent members of the Commission for Africa, which called for a partnership between Africa and the developed world. In this partnership, Africa would have to accelerate reforms and, among other things, developed countries would have to increase and improve aid.

9. The WTO Ministerial meeting should ensure that the potential of the Doha Development Agenda was realized. At the UN World Summit, a strong and unambiguous commitment to achieve the Millennium Development goals had been given, and the EU was considering further innovative sources of financing for development. UNCTAD had an important role to play in maintaining the momentum and the expression of partnership voiced by world leaders. The organization had a chance to be put on the map as a credible, effective, well-managed player in the "development through trade" agenda. For this to happen, UNCTAD might have to rethink its functioning, focusing on areas of strength and not diversifying into areas where others had the comparative advantage, while speaking with one voice. The secretariat could also coordinate better internally and externally with regard to project and programme identification, with a more priority-based system of fundraising and project delivery. Cooperation with other multilateral organizations had to be followed in word and deed, and Memoranda of Understanding had to be made operational. The three pillars of UNCTAD had to work with one common purpose, with more dialogue in the intergovernmental process.

10. The representative of **El Salvador**, speaking on behalf of the **Latin American and Caribbean Group**, said that the UN system, particularly UNCTAD, should provide appropriate responses to the historical moment the world was facing. The UN reform process should strengthen the organization and give it more weight among international economic institutions, placing special emphasis on the development dimension. In a globalized world, developing countries required UNCTAD's theoretical and practical contributions, to use them as tools for their development. Through the UN system and UNCTAD in particular, international cooperation should address development from a creative, modern and sustainable perspective. UNCTAD had a comparative advantage over other international fora because of its views and methodology that focused on development and because of its universality, which allowed the comparison and exchange of experiences with all countries and regions. Its work programmes in different fields, its capacity to place any specific subject in its global economic context and its long experience with technical cooperation made UNCTAD the development organization in the UN system.

11. The Latin American and Caribbean region had several concerns in the short and medium term. Firstly, in the internal context, it sought to achieve a successful combination of economic growth and social policies – with a healthy macroeconomic balance – that would urgently address poverty and social inequalities, whether structural or resulting from the opening and reforms of the 1990s. Secondly, in the external context, it sought to reconcile objectives and commitments to achieve progress and social and economic well-being, taking

into consideration its distinct geographical and political circumstances and without undermining internationally recognized human values. UNCTAD should increase its capacity for substantive analysis, as well as its capacity to respond to and support the efforts of developing Governments, particularly in vital areas of the international agenda. It should be able to offer direct assistance to Governments in areas that fell within its mandate and which were of great international interest, through its technical cooperation programmes, policy analyses and capacity building. A modern UNCTAD was needed which would incorporate the results of recent international conferences in the development area, giving new life to international cooperation activities.

12. The representative of the **Philippines** speaking on behalf of the **Asian Group and China**, said that the Board's session was taking place at a special point in time – immediately after the historic Millennium plus 5 Summit and prior to UNCTAD's mid-term review. It was important to consider the ways and means by which UNCTAD's intergovernmental machinery could be strengthened and enhanced in order to maintain UNCTAD's stature in the UN system and in the field of development, while establishing a more direct way for UNCTAD to contribute to major UN processes, including the General Assembly and the follow-up and implementation of major UN conferences, and other multilateral processes such as the WTO. This would involve considering adjustments in the calendar so that the results of UNCTAD's meetings could be conveyed to other appropriate fora in a timely and relevant manner. Deep reflection should be given to the venue, date and actual work to be done on the forthcoming mid-term review. It could be held outside Geneva to underscore the political importance of the meeting at a strategic time for the United Nations, thereby highlighting the new energy and momentum in UNCTAD as a result of its new leadership. UNCTAD should also continue its contribution to regional and interregional processes, including the implementation of the New Asian-African Strategic Partnership.

13. The representative of the **Czech Republic**, speaking on behalf of **Group D**, expressed confidence in the future work of the new management in its efforts to create a more efficient and respected organization. The mandate of UNCTAD, which was the focal point of the United Nations for the integrated treatment of trade and development issues, should be fulfilled efficiently to the satisfaction of all stakeholders. Only constructive dialogue in a spirit of understanding and cooperation could lead to achieving broad and balanced outcomes.

14. The representative of **Benin**, speaking on behalf of the **least developed countries (LDCs)**, said that economic reforms in the 1990s had produced very moderate results and, in the majority of countries, had not led to sustained growth sufficient to notably reduce poverty. As the World Bank had indicated, it would be desirable to examine the most recent development strategies aimed at accelerating growth and reducing poverty on the basis of the experience of the countries that had obtained the best results. UNCTAD's 2005 *Trade and Development Report* showed that in 2004 developing countries had experienced faster and more general growth than they had seen in many years. China and India were increasingly setting the direction of the world economy, and their rapid growth had had spin-off effects on many other developing countries. Their success had modified the structure of world interdependence, notably with improved prospects for commodity exporters and increased trade between developing countries. The *Report* underlined that this was a worrisome period for the world economy, and especially for the developing countries, which could suffer from the recent strong increase in the cost of petroleum and growing global imbalances. For LDCs, the situation was becoming more worrisome due to the structural weaknesses that

characterized them, and the achievement of the development and poverty objectives of the Millennium Declaration might be slowed by these structural weaknesses.

15. In order to deal with the problems resulting from the international economic and financial situation, more effective cooperation should be put in place. This would imply that efforts should be made by different partners, in developed as well as developing countries, to reinforce the capacities and improve the production infrastructure in developing countries, promote investment and in particular foreign direct investment, reform the international financial structure, increase official development aid, truly reduce the effect of debt, and reform the rules of international trade to make them more compatible with attaining development objectives. The different initiatives taken by many countries and groups of countries to facilitate access to their markets for products of interest to LDCs were welcome, but LDCs had not derived the expected benefits yet. Some studies showed that the rate of utilization of trade preferences by LDCs was very low and sometimes zero, and accompanying measures should be made available for LDCs to help them reinforce their export and production capacities and diversify their exports. LDCs were the weak link of the system, and the international community would need to support the efforts of each LDC to tackle its multiple constraints. Africa in particular would need a favourable international environment. Improving the trade performance of Africa was a major objective clearly stated in the NEPAD framework and should be supported. UNCTAD's initiatives and actions should be encouraged and supported, most notably with regard to increasing the value and diversification of commodities, reinforcing supply capacity, ensuring better participation in international trade, and developing transport.

16. The representative of the **United States of America** said that his country fully supported the Millennium Development Goals and the Monterrey Consensus. Eradicating poverty and expanding the circle of prosperity were fundamental objectives of US policy. All countries had a responsibility to govern well, invest in their people, and establish the foundation for market-led growth. This meant establishing inclusive systems of democratic governance, ensuring continuing investments in health, education and measures to protect the most vulnerable, and building the institutions of a competitive market economy. Without this, no country could expect to achieve development and a decent standard of living for its people. Official development assistance (ODA) had an important role to play in economic development, and the United States remained a committed donor; it had doubled its ODA since 2004 to a level representing almost a quarter of all assistance provided by developed countries, it had nearly tripled its assistance to sub-Saharan Africa, and that assistance was set to double again by 2010. Steps had been taken to ensure that bilateral assistance went to individuals in need, particularly those suffering from AIDS or famine, and to countries that had proven their capacity to use funds well.

17. Despite the importance of these measures and others undertaken by the international community, aid alone could not sustain development. For broad-based development, all resources – public and private, foreign and domestic – had to be brought to bear effectively. Trade, private capital flows, remittances and private transfers currently dwarfed amounts contributed through aid. Private finance and trade drove the world economy. The way to achieve real economic growth and poverty alleviation was to enable developing countries to tap these flows to attain the MDGs, taking steps to open markets everywhere so that developing countries could mobilize the funding they required. UNCTAD could help countries make the right choices to foster market economies and bring the benefits of development to poor people. This would require constructive intergovernmental discussions,

practical and forward-looking economic analysis, and well-targeted and effective technical assistance. UNCTAD should continue establishing partnerships with other international organizations and collaboration with civil society and the private sector. It should set the standard for transparency and efficiency in its management of human and financial resources. It should also support efforts to bring the Doha Round at the WTO to a successful conclusion.

18. The representative of **Switzerland** underlined the favourable economic conditions in the world economy, especially in developing countries, and the sober and constructive way in which the *Trade and Development Report 2005* addressed some important issues, particularly those linked to trade and South-South relations. Regarding economic growth and poverty reduction, a critical view was needed of the development policies applied in the past, judging by the persistent poverty in several regions, notably Africa. It was a priority of Governments and other national actors in the countries concerned to define and follow economic growth and poverty reduction strategies, in the light of the conditions in each country. At the same time, the international community should complement national efforts. In this spirit, the results of the negotiations of the Doha Development Agenda needed to be evaluated on the basis of the market access opportunities provided for developing countries, particularly the poorest ones. UNCTAD should extend its analysis on the evolution of the negotiations from the South-North to the South-South perspective. The impact of the erosion of preferences in LDCs was a sensitive topic, and it was important to have more reliable data. There were two ways for countries to get away from dependence on the system of preferences: first, technical cooperation to help them expand their productive capacities; and second, better market access for LDC products. Trying to tackle the problem through a new compensation fund was not a good solution. Given the underdevelopment problems existing in Africa, this region should receive increased attention in future *Trade and Development Reports*.

19. As a major donor, Switzerland attached great importance to technical assistance and supported any effort to reinforce these activities, particularly through greater coordination, better management and focusing on niche activities where the organization had a comparative advantage. The outcome of the forty-fifth session of the Working Party on the Medium-term Plan and the Programme Budget called for a strengthening of the qualitative dimension of technical cooperation reports, better integration between activities under the three main pillars of the organization, strengthening of cooperation among UNCTAD's divisions, and consolidation of collaboration with other international organizations.

20. The representative of the **Russian Federation** said that his country was extremely interested in developing and strengthening constructive cooperation with the UNCTAD secretariat with a view to ensuring the high-grade integration of the Russian Federation into the world system of economic ties and international trade flows. The session of the Trade and Development Board was an important step towards the realization of UNCTAD XI decisions and would help strengthen UNCTAD's role in the UN system. The Russian Federation invariably supported UNCTAD's mandate as the UN system focal point for trade and development, and it endorsed the principle of the universality of the organization, meaning the equal right of each country or group of countries to have their specific interests taken duly into account.

21. The representative of **Colombia**, referring to the review of technical cooperation activities, acknowledged the work and recommendations of the external evaluators of the courses set up by UNCTAD in accordance with paragraph 166 of the Bangkok Plan of Action. Effective measures should be taken to support the continuation and enhancement of

activities under this paragraph. The necessary economic resources should be allocated to them, and they should be linked to other projects in the same area, such as the Virtual Institute and TrainForTrade. Programmes and projects developed under the three pillars of UNCTAD should be action-oriented. In this context, programmes such as Biotrade were of the utmost importance and should receive appropriate support. New projects such as those related to biofuels should be open to the participation of all interested countries. It was also urgent to find a solution to the problem of lack of financing for the participation of experts in UNCTAD expert meeting. That problem reduced development possibilities in some areas and affected the quality of discussions, which could not benefit from the experiences and nuances that heterogeneity provided.

22. The representative of **Thailand** commended UNCTAD for its efforts in assisting developing countries to reap the fruits of development and ensuring that globalization improved the quality of life for all. Useful resources and publications, such as the *Trade and Development Report* and the *World Investment Report*, provided in-depth assessments of global trade and investment patterns. UNCTAD's work should evolve further in five areas. First, technical assistance offered to developing countries to help them achieve the MDGs and broader development objectives should be continually reviewed to improve it and ensure close coordination with other organizations. Second, focused priorities for future work should be set in areas such as policy space, corporate responsibility, financing for development, promotion of R&D-related FDI, and trade promotion. UNCTAD could play a key role in helping to ensure that the Doha Round led to a development-friendly multilateral trading system. Third, in the efforts to make the UN a more effective organization, there was a need to improve coordination on economic and social issues as well as to strengthen UNCTAD's role as the principal body to deal with trade and development issues. The recommendation of the Secretary-General of UNCTAD to convene a group of eminent persons to brainstorm ways to strengthen the organization was welcome. Fourth, UNCTAD should continue its policy analysis on the development impacts of sharp oil price increases, identify future options to mitigate them and foster partnerships to develop R&D on alternative and renewable sources of energy. Finally, UNCTAD was invited to further strengthen its cooperation with the International Institute for Trade and Development, established subsequent to UNCTAD X.

23. The representative of **Brazil** said that, as the focal point in the UN system for the integrated treatment of trade and development, UNCTAD had an important role to play in the achievement of the goals established in the Millennium Declaration. It had already contributed to the creation of new approaches to issues of great importance to developing countries, and it had also contributed decisively to the view that there was no one-size-fits-all approach to development and that countries should benefit from adequate policy space to implement national strategies. The organization was urged to continue its policy analysis showing that international rules needed to be adjusted and must no longer be an impediment to legitimate domestic policies. UNCTAD had been playing a crucial role complementary to that of the WTO and the Doha Development Agenda, for instance in providing assistance to the ongoing GSTP negotiations, which would help make the South a bigger player in the new geography of international trade. UNCTAD should continue and strengthen its activities, in particular for the effective implementation of the São Paulo Consensus. The results of the Doha round would decisively influence the development process in each and every country for a long time. By strengthening its capacity building and analysis, UNCTAD would enable countries to better understand what was at stake in the negotiations and be prepared for them. The latest *World Investment Report* referred to the level of investment by pharmaceutical

TNCs in Brazil but showed how only a few of these firms actually invested in research and development in the country.

24. The representative of **Cuba** said that the results of the review of the MDGs had shown how difficult it would be to achieve them. A strengthened UN was needed, and UNCTAD should play a key role in the treatment of economic and financial issues from a development perspective. Defending the positions of developing countries was crucial. The neoliberal globalization process had led to a reduced role for the state and diminished its economic and financial capacity to guarantee the most elemental rights of citizens. Privatization continued to be recommended in spite of its failure. However, in defending its market, a country also had to defend its sovereignty and its space to apply appropriate policies in the context of national development strategies. The state should therefore operate in total autonomy. Globalization had not led to a reduction of the gap between rich and poor countries, and the transformations that it had involved had not happened in most developing countries. When analyzing the real improvements in terms of sustained growth, poverty reduction and external imbalances, the weaknesses of developing countries became clear. They were the result of the neoliberal globalization process and the adverse effects of the increasing difficulties encountered in integrating into the world economy. For instance, developing countries paid in tariffs to developed countries double the aid received from them, and developed countries had promised to devote 0.7 per cent of GDP to ODA but had only reached 0.22 per cent. Natural disasters had shown the importance of international recognition of the needs of the most vulnerable economies and the need for cooperative efforts in respect of prevention and recovery.

25. The representative of **China** said it was significant that the Board was holding its fifty-second session shortly after the Millennium Summit, and the Board should consider ways of implementing the outcome of the Summit and achieving the Millennium Development Goals at an early date. UNCTAD's most immediate contribution to the MDGs could be through the implementation of the São Paulo Consensus. China welcomed the announcement by Ghana concerning the hosting of UNCTAD XII.

26. The representative of **Djibouti** said that, for UNCTAD to face up to certain challenges, all member States should cooperate in the future work programme of the organization, with particular emphasis on LDCs. The LDC unit should be reinforced to help ensure that the LDCs' interests were taken into account in the trade negotiations and in technical cooperation. UNCTAD should continue working with other international institutions, particularly to avoid overlapping. Great importance should be attached to the specific needs of LDCs.

27. The representative of **Japan** said that UNCTAD should strengthen its functions and expressed support for the suggestions made on the future work of the organization. Regarding policy towards African countries, Japan had been increasing its ODA in recent years and intended to double it in the course of the following three years, in spite of its stagnant economy. Japan's basic assistance policy was based on four pillars: a peace-first approach, construction of social infrastructure, capacity building, and the importance of trade and investment. It was because of the seriousness of African problems that Japan had started the TICAD process in the 1990s to transfer experience to African countries.

28. The representative of **Indonesia** said that, as the UN focal point for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development, UNCTAD should continue to enhance

the capacity of developing countries to formulate development strategies in this globalized world. Its research and analytical capacities would be useful in providing assistance. UNCTAD should contribute to the implementation of the goals described in the Millennium Declaration, helping to find an integrated approach to development strategies at both the national and the international level in order to boost economic growth and reduce poverty. It should continue its activities relating to the Jakarta Declaration on MDGs for the Asia and Pacific region and help develop a regional policy framework in the effort to achieve those goals. South-South cooperation, including interregional cooperation such as the Asia-Africa Strategic Partnership, was very important, and UNCTAD could play a key role in this kind of initiative.

## Chapter II

### INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: NEW FEATURES OF GLOBAL INTERDEPENDENCE

(Agenda item 3)

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

*Trade and Development Report, 2005* (UNCTAD/TDR/2005 and Overview).

30. The representative of **Afghanistan**, speaking on behalf of the **Group of 77 and China**, said that the excellent analysis in the *Trade and Development Report 2005* showed that, despite the expansion of South-South trade, the global economic environment continued to be shaped by macroeconomic and trade policies in the developed countries. All developing regions had benefited from the recent global expansion, and rapid growth in China and India had spilled over to many other countries in Asia and other regions. However, the fact that growth rates in sub-Saharan Africa were still far from sufficient to attain the MDGs, in particular with regard to poverty reduction, was a reason for serious concern. The outlook for the following year was uncertain, mainly due to the increasing current account imbalances among the developed countries. A well coordinated international macroeconomic approach was necessary to correct these imbalances without jeopardizing the recent improvements of developing countries' growth performance and progress towards these goals.

31. The oil price rise over the past few years had occurred despite the fact that many oil-producing countries had responded flexibly by increasing their production as much as possible to meet rising demand. Dependence on oil imports had increased in the developing world, but the industrialized countries still absorbed more than half of total oil production and had the largest potential for adjustment, especially the United States, where oil consumption per capita was 50 per cent higher than the developed country average and more than five times the world average. Developmental progress in China and India had contributed significantly to global growth and poverty alleviation. It had created new opportunities, but also new challenges, for other countries. It had also played a key role in the price increases for a number of primary commodities, but real commodity prices were still about one third below their level of the 1970s. Creative, and often heterodox, policies had played a central role in accelerating structural change and capital formation in China and India. The fact that there were substantial differences between the policies in China and India and those of other successful developing countries showed the importance of adequate policy space to tailor development strategies to the specific needs and circumstances of each country.

32. Despite the recent rise in commodity export earnings, efforts to reduce commodity dependence and to accelerate diversification and industrialization must be strengthened. In many developing countries this would require further international support, improved market access, and a solution to their external debt problems. For the poorest countries it would be essential that the international community meet the internationally agreed targets for official development assistance, with an increasing share of grant financing. Commodity price instability was in the interest of neither producers nor consumers and could lead to inefficiencies in factor allocation. A fresh look at the possible mechanisms to reduce price instability for a wide range of commodities so as to minimize its adverse impact on national

income could help to strengthen a global partnership for development. It was also necessary to ensure that the considerable rents accruing in the extractive industries were used in a way that maximized the gains for development and social welfare. Governments needed to strike a balance between the use of fiscal incentives to stimulate investment, including FDI, and realizing public revenues from these industries. South-South trade needed to be actively promoted, especially at the regional level, where it could help to enlarge markets for local producers in small domestic markets. Future issues of the *Trade and Development Report* should elaborate on possible strategies to meet the new challenges for developing countries and to examine the issue of the policy space required for the implementation of such strategies.

33. The representative of **El Salvador**, speaking on behalf of the **Latin American and Caribbean Group**, said that it was important to analyse the new characteristics of global interdependence, as the *Trade and Development Report 2005* had done, because they might imply the need to adjust domestic development strategies, as well as international policies. Achieving the MDGs called for greater coherence between international processes and negotiations, particularly in the fields of trade, investment, finance and technology, and the different national strategies for economic growth and sustainable development. UNCTAD played a fundamental role in identifying the elements of a coherent global strategy.

34. Latin American economies had experienced a significant improvement in 2004, after five years of stagnation and crisis. Prospects for 2005 pointed to continued recovery, although at a slower rate than before. The improvement had been due primarily to expansion of exports and recovery in the terms of trade. Intraregional trade had also been reactivated as a result of the increased competitiveness provided by the real devaluation of several currencies. Increased demand from the United States had also helped some of the region's economies to expand exports. The *Trade and Development Report 2005* showed that terms-of-trade gains had been important for exporters of oil and mining exporters but less so for exporters of agricultural products. Central American and Caribbean countries exporting labour-intensive manufactures had experienced terms-of-trade losses, although increasing volumes of exports as well as tourism and remittances had partially offset the losses.

35. The favourable external environment had allowed the region to generate a current-account surplus, even though its imports had grown significantly. The fact that this surplus was the result of export expansion was in contrast with the past, when adjustment had been based on import contraction. An important factor was the increasing demand for commodities in Asian countries. The strong recovery of commodity prices, particularly fuels and minerals, underlined the importance of the question of rent distribution in these sectors. The effects of terms-of-trade gains on domestic income, investment and development depended critically on who captured the rent and how it was used. Several countries in the region had realized that fiscal revenues from these sectors were excessively low and were now reviewing their fiscal regimes. As a result of economic recovery and the state obtaining a higher share of export revenues in some countries through public companies or taxes on exports, there had been a trend towards diminishing fiscal deficits in the region. Meanwhile, foreign debt had also stopped growing in absolute terms. Progress was being made in the most critical cases with debt reduction and restructuring. Consequently, many countries in the region had reduced their dependence on new capital inflows.

36. The future evolution of external conditions was uncertain, as commodity prices and external finance costs could increase if the world economy failed to rectify the imbalances,

thereby causing a strong deceleration. However, even a continuing favourable external environment might not be sufficient for a sustained development process if the region did not revive productive investment, which continued to be low in historical terms, and restructure its internal market. Domestic consumption and investment were intimately linked, as investment needed a growing internal and regional market. In this context, the problems of unemployment and unequal distribution of income must be dealt with effectively.

37. As for the role of UNCTAD as a universal organization, its analytical capacity should be maintained, or reinforced even more, so as to allow it to handle issues of interest to developing countries more effectively. Analytical findings should support its other activities, particularly consensus-building and technical cooperation. If UNCTAD could identify needs and remedies in the context of interdependence, it could contribute to a better understanding of coherence between international regulations, practices and processes on the one hand and domestic policies and development strategies on the other.

38. The representative of **Iran**, speaking on behalf of the **Asian Group and China**, noted that, in spite of the projected slowdown of growth in Asian developing countries in 2005 and 2006, Asia would remain the most dynamic region. This might further strengthen the role of East and South-East Asia as a new growth pole in the world economy. By contrast, some major developed economies were growing very slowly, and measures to stimulate domestic demand in those countries would help correct the global imbalances.

39. As a result of rapid industrialization and a strong rise in primary imports, East and South-East Asia as a region had experienced a deterioration in its terms of trade. The prospect of permanently higher oil prices was especially disturbing for developing countries that were not benefiting from higher prices for their own exports. Additional investment in extractive industries and efforts to introduce resource-saving manufacturing technologies would be particularly beneficial for this group of countries.

40. The Asian region attached the utmost importance to having adequate policy space to utilize appropriate policy instruments in the pursuit of development priorities and policies. A major lesson from past development experience was that successful economic development in many countries in the region had been based on various policy innovations, while other countries that had adhered more strictly to the orthodox structural reform agenda had mostly experienced disappointing performances. Thus the Asian success stories might hold a number of lessons for other developing countries, in particular that economic development could be achieved in diverse ways and that there could not be a one-size-fits-all approach to development.

41. As the pace of economic development had not been uniform worldwide, some countries were lagging behind in accomplishing their development goals and the MDGs. While overall progress towards meeting those goals was considered satisfactory in the Asian region, the same was not true for other countries, especially the least developed countries and countries in Africa, which ran a serious risk of not meeting the MDGs by the target date of 2015.

42. Externally imposed constraints and inadequate development models were both to blame for this disappointing outcome. The international community should support these countries in their fight against poverty and help them integrate more fully into the world economy. As many African countries had been looking increasingly at Asia as a market for their exports, as well as a source of technology and external finance, the two regions had

adopted the Asia-Africa New Strategic Partnership Declaration in April 2005. Its aim was to promote pragmatic cooperation between the two continents in all development areas. Finally, UNCTAD should continue its analytical work aimed at promoting regional and interregional processes.

43. The representative of **Egypt**, speaking on behalf of the **African Group**, said that the *Trade and Development Report 2005* was very useful, since it touched on topical issues related to new developments in the global economy and in the developing world in particular. Recently, there had been considerable progress with regard to international cooperation in favour of Africa, as witnessed by the emphasis placed on Africa in major international fora. The agreement to double ODA flows to Africa and the commitment by a large number of OECD countries to raise their total ODA to at least 0.5 per cent of GDP by 2010 was a welcome development, as was the decision to write off the outstanding debt of the HIPC countries and the decision to consider reducing the unsustainable debt of some equally poor non-HIPC countries. But debt relief must not come at the expense of aid flows. The quality of aid could be enhanced through the provision of budgetary support in order to respond to both human and physical infrastructure development needs and poverty reduction. For countries to make the best use of aid, they also required sufficient policy space to allow them to devise country-specific strategies to enhance growth and meet the MDGs.

44. In the past three years, Africa's growth performance had significantly improved, but although GDP growth of about 5 per cent could also be expected in 2005, per capita income growth in sub-Saharan Africa was still insufficient to make decisive progress in poverty reduction and achieving the MDGs. The fact that South-South trade had expanded much faster than North-South trade had helped improve Africa's terms of trade. Much of the rise in Africa's export earnings was due to strong import demand from Asia, and the New Asian-African Strategic Partnership Declaration could serve as a major conduit for boosting trade and economic cooperation further.

45. Rising export volumes combined with the rise in world market prices for some of Africa's most important export products, notably oil and minerals, had been among the main reasons for the acceleration of economic growth in Africa. But commodity prices continued to be highly volatile, and in real terms they were still lower today than some twenty years ago. Furthermore, slumps had historically been much longer than highs. The improvement in Africa's terms of trade by about 30 per cent since 2004 had to be seen against the fact that Africa had been the region most severely affected by the deterioration in terms of trade and the contraction of the purchasing power of exports during the 1980s. As the *Trade and Development Report 2005* underlined, it was only in 1996 that the purchasing power of exports had recovered to its 1980 level. In addition to its adverse impact on economic performance in general, this deterioration had been a central factor behind growing external payments constraints and rising external debt.

46. Another important topic dealt with in the *Trade and Development Report 2005* was the distribution of export income and rents from extractive industries, leading to the conclusion that, while the rent from extractive industries was a potentially important source of financing for development, privatization and tax incentives for foreign investors had led to a considerable reduction of the domestic share of the total revenues generated in the sector. It would seem that, in the fuel industry, sub-Saharan African countries received the lowest shares of rents in terms of the value of their exports.

47. It was important to draw the right conclusions for action by the international community from the analysis provided by *the Trade and Development Report* on the global interaction of trade, commodities, finance and investment and its impact on the growth and development prospects of the developing countries. UNCTAD remained the appropriate institution in which to carry out this debate, as it could provide alternative views from a development perspective.

48. The representative of the **United Kingdom**, speaking on behalf of the **European Union and the acceding countries of Bulgaria and Romania**, thanked the secretariat for the balanced and reasonable presentation of the *Trade and Development Report 2005*. However, he voiced concern over the *Report's* treatment of the notion of policy space.

49. The *Report* highlighted the positive aspects of China's growth, including its increase in demand for key commodities that other developing countries exported, which was a welcome change from the usual apprehensions about the impact of China's exports. The *Report* also pointed to the competitive challenges for manufacturing developing countries that competed directly with China. It was interesting that UNCTAD now considered that the long-term comparative advantage of China was not in textiles and clothing, although it was uncertain how soon the country would move to less labour-intensive goods.

50. The calming of commodity prices was welcome; higher commodity prices should not fuel complacency, and developing countries should continue to look to diversification as their best long-term strategy. The *Report* maintained that South-South trade was desirable due to the lower degree of exposure developing countries had to pressure from industrialized countries, implying that South-South trade was freer and less likely to come with any political strings attached. This assumption was not reflected in the real world, where most developing countries were not only more protectionist but also less likely to be any more forthcoming in terms of market opening than the OECD countries. Protectionist policies employed by developing countries harmed their own development prospects. The multilateral efforts pursued under the Doha Development Agenda offered the best guarantees for South-South liberalization, as opposed to regional trade agreements under the Global System of Trade Preferences among Developing Countries.

51. The *Trade and Development Report 2005* characterized South-South trade as being driven to a greater extent by regional production sharing for products destined for developed countries. Regional production sharing should be considered a welcome development that allowed for an international division of labour based on the comparative advantage of different locations. Furthermore, such production sharing highlighted the importance of reducing South-South tariffs, as these were ultimately reflected in higher export prices and served to damage competitiveness.

52. Global imbalances were a risk to the global economy, and a more balanced pattern of growth between the major regions would be helpful in correcting these imbalances. He questioned the notion that Europe should bear most of the blame for the current global imbalances and the expectation that it would address the situation alone. The United States and China should also be responsible for making appropriate policy changes to correct the overall global imbalances by addressing domestic deficits and adopting greater exchange rate flexibility, respectively.

53. The representative of the **Russian Federation** said that the acute nature of current global problems required the world community to improve its collective efforts to neutralize

the negative consequences and promote the benefits of globalization. The conclusions of the G8 Summit in Gleneagles and of the UN World Summit were very important in ensuring a joint and integrated approach to achieving these ends. In the context of the São Paulo Consensus, there was a need to increase the coordination of economic, financial, trade and social policy at both the national and the international level in order to resolve existing development problems, with special attention being paid to eradicating inequalities and poverty, strengthening social protection, and raising the quality of life. International efforts would bring the necessary results only if they were accompanied by well thought-out socio-economic, infrastructural, financial and investment policies at the national level. While making significant domestic efforts to pursue the MDGs for itself, his country, the designated host for the next G8 meeting, was committed to participating in international development assistance and was taking active steps to fulfil its donor potential. Its efforts were directed towards debt relief for the least developed countries, and it was also providing numerous forms of official assistance worldwide, including to its partners in the Commonwealth of Independent States. As for UNCTAD, it should further strengthen its cooperation with other international organizations, the private sector and NGOs so that globalization became a mechanism to bring the world community together.

54. The representative of **Indonesia** said that global interdependence had had remarkable effects on the worldwide distribution of economic growth, helping developing countries achieve the Millennium Development Goals. However, only some countries had been benefiting fully, with many others left behind due mainly to shortage of capacity and limited resources. The international community should therefore take action to ensure that the countries lagging behind were able to utilize the small profits that they had earned, mostly from primary commodities, combined with the help from more fortunate economies, for the benefit of their industrialization and economic development. Developing countries must take full advantage of the changing landscape of international trade with China and India, the new growth poles, and share the momentum generated by those two countries. South-South trade, with its vast potential in terms of accessing new and undiscovered markets, might allow developing countries to end their persistent over-dependence on developed countries' markets. It would also be truly significant in terms of supporting developing countries in their drive to achieve economic growth. However, developed countries were still the main markets for developing countries' exports and should steadily open up their markets too. Given the dependence of developing countries in the process of industrializing on imports of primary commodities, the current volatility of commodity prices posed a serious risk for their growth sustainability, and there was therefore a need for better international policy coordination to prevent price instability. Developed countries should manage their current account imbalances through concerted efforts, since incorrect unilateral policies would jeopardize not only the countries involved but also the rest of the world. The issue of foreign exchange volatility must be addressed appropriately, and the international community should act to protect vulnerable economies from unnecessary side-effects. All these issues served to highlight the importance of the work of UNCTAD in exploring the new features of trade and providing directions to better avoid adverse impacts on growth.

55. The representative of **Peru** said that the *Trade and Development Report 2005* identified rapid growth in China and India as an important factor behind the increases in commodity prices, and it assumed that these prices would be maintained provided that industrial growth in these countries continued to be strong and the imbalances in the developed world were corrected without causing recession. An erratic increase in commodity prices, particularly those of minerals, had not necessarily meant a redistribution of income

from consuming to producing countries. Higher prices and more exports had not automatically been translated into higher fiscal revenues for exporters. This was partly the result of fiscal incentives to attract FDI. Equally, strong commodity price fluctuations did not help countries to achieve stable and sustained growth that benefited the entire population and helped attain the MDGs. Commodity exporters that had benefited from recent increases in prices and export volumes must maintain their efforts to diversify their commodity sector, as well as to generate higher value added in other sectors. In this context, UNCTAD should analyse extensively the diversification of the productive structures of developing countries and the creation of mechanisms that could contribute to reducing price instability. The *World Investment Report 2005* showed that there were big differences in capacity among countries in terms of innovating and benefiting from the process of internationalization of research and development activities. UNCTAD should resume its science, technology and innovation policy reviews with interested countries to identify options that might make it possible to develop or increase technological and innovation capacities. It should also continue publishing its well known and valuable analyses on trade and development.

56. The representative of **Belarus** said that his country appreciated the *Trade and Development Report 2005* and supported the conclusions of UNCTAD XI concerning the growing potential of UNCTAD in the interrelated fields of trade, development and investment to assist developing countries, particularly least developed countries (LDCs), in their development efforts. The *Report* highlighted the growing trend towards global interdependence and attributed the recent slowdown in world growth to the deceleration of the major developed countries, despite the high growth rates achieved by developing countries. It highlighted the important role of domestic demand in the economic and political development of the developing countries, and it brought to light the existing imbalances and instability of the global economy. However, there was no reason to think that these tendencies were irreversible and global in nature. The United States' current account deficit was deemed to be the greatest short-term threat to stable growth in the world economy, and UNCTAD should pay special attention to that issue. Developing countries continued to experience capital outflows at a time when they needed resources to foster growth and to promote stable development. Thus, the world financial system needed to undergo radical change to ensure global financial stability. Meanwhile, the interests of all countries and regions should be taken into account in order to reduce global imbalances and ensure further global development. Regional economic relations served to sooth global disparities and allowed developing countries to promote their exports and economic growth. Finally, if UNCTAD was to fulfil its mandate as established at UNCTAD XI, its activities must be rationalized. The *Trade and Development Report 2005* failed to address the economic experiences of transition economies, despite the mandate set forth at UNCTAD XI.

57. The representative of **Pakistan** pointed out the important role played by UNCTAD in promoting development and encouraging cooperation between developing countries. He was satisfied with the fact that the *Trade and Development Report 2005* had responded to the concern raised by his delegation in connection with the previous year's *Report* and had devoted a good portion of its analysis to impacts of oil prices on developing countries. The current situation of the world economy was characterized by huge imbalances in the field of finance and trade, which had fuelled international disparities and caused capital migration from developing to developed countries. Some developing countries had adopted conscious polices for good governance, economic development, poverty reduction and open trade in response to the Doha conference. However, their efforts had not yet been matched by the international community fulfilling promises of greater market access, larger financial

assistance, debt relief and other actions to redress imbalances. A major aim of UNCTAD should be to develop and inject into the international economic arena a consensus as to how cooperation could be introduced in the current context of competitive growth. UNCTAD must coordinate with other international organizations so as to let the economic, political and technological opportunities of this century contribute to the attainment of greater prosperity, equity and security.

58. The representative of **China** said that the global economy was now confronted with a number of problems that obliged almost all countries to undergo some form of restructuring. In a world of growing interdependence, countries needed to consider the consequences that their own actions and policy decisions might have on the world, particularly the developing countries. Though there were signs of global economic recovery, poverty remained a serious problem in developing countries, especially in LDCs, and the North-South gap continued to widen. Developing countries, while increasingly integrated in the world economy, had yet to reap the benefits of globalization. It was important to identify the causes of and solutions for these problems, as well as to take concrete action to redress them. In an increasingly interdependent economy, the development of developing countries should be a concern not solely to these countries themselves. It appeared that meeting the objectives outlined by the MDGs by 2015 would prove very difficult, and recent appeals had called for greater political will and concrete actions. Solving the development-related issues that had attracted attention at the UN Summit would require the unremitting efforts of all countries.

59. The developed countries could play an influential role in establishing a fair, rational and transparent world economic order by assuming greater responsibility for achieving universal, concerted and balanced global development. The developed countries should grant greater market access, facilitate the transfer of technology, and increase assistance and debt relief for developing countries, especially heavily indebted countries and LDCs. The Chinese Government had always attached great importance to South-South co-operation, and would strengthen that cooperation by exchanging experiences on economic development and providing help in different fields. The *Trade and Development Report 2005* provided development-oriented analysis of the world economic situation and provided an important source of reference. The cases of China and India were extensively analysed in the *Report*, but given the differing situations in different countries, all experiences, whether successful or less successful, should be seen within the context of the relevant circumstances.

60. The representative of **South Africa** stressed that the *Trade and Development Report 2005* contained good analyses of global economic trends, and its focus on growth in India and China was of particular interest to developing countries. Its renewed call for policy coherence and additional policy space for developing countries was welcome, as it came at a time when a number of countries were disappointed with the outcome on development discussions at the World Summit in New York. In this context, UNCTAD should continue to address these issues, thereby giving them an impetus in international forums. Although the African GDP growth rate had reached five per cent, there was concern that this would be insufficient to help African countries attain the MDGs. Thus the international community should raise the level of assistance to these countries in order to let them meet their development aspirations. Whereas Europe and Japan should take measures to accelerate growth, the United States should also address the twin deficit issue. The rise in oil prices had not seriously dented global growth prospects due mostly to the shifting patterns of production in developed countries over the last 30 years. This was also the case in South Africa, most of whose GDP was accounted for by the service sector, which was not heavily oil-dependent.

61. The representative of the **United States** said that her Government's policy on the issue of policy space had not changed, and apparently the positions of the G77 countries and regional groupings had not changed either. The United States Government had agreed to a heavily negotiated text on policy space, as contained in paragraph 8 of the São Paulo Consensus, but the issue as dealt with in the text had never been intended as a major new area of UNCTAD's work, and the text itself was only a political declaration in a limited context. It was difficult to foresee how UNCTAD could pursue work in the area of policy space. The origins of the issue lay in the frustration with the policies of the international financial institutions in the 1990s. While developing countries should not be forced into a policy straightjacket, they ought to take into account the appropriate balance between national policy space and international disciplines and commitments. Each country was responsible for carrying out its own risk-benefit analysis to determine whether the international obligations it was considering were worth it, as defined under the São Paulo Consensus. All countries had economic sovereignty, and if they chose to give it up, it was because such an action was deemed to be useful. Policy space allowed for both good and bad economic policies, and it was good economic policy that should be at the centre of the work at UNCTAD. Referring to the issue of right to development, UNCTAD's mandate included many issues related to development, but not human rights. As the issue of the right to development was currently being addressed in the Human Rights Commission, it should remain there.

62. The representative of **Japan** said that the assessment by the *Trade and Development Report 2005* of the current Japanese economic situation was overly pessimistic, as that situation had been steadily improving. Similarly, the *Report's* characterization of the developed countries' trade policy as protectionist was an overstatement. The greater participation of developing countries in the open multilateral trade regime would not reduce but would enhance their policy space.

### 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)

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

“UNCTAD-wide activities in favour of least developed countries: Fourth progress report” (TD/B/2/3);

“Erosion of preferences for the least developed countries: Assessment of effects and mitigating options” (TD/B/552/4).

#### *Statements*

64. The representative of **Nepal** read a statement from the delegation of the **Republic of the Congo** on behalf of the **Group of 77 and China**. The group called for special efforts by the international community to help LDCs meet their development targets in the light of the Brussels Programme of Action, particularly through aid, FDI, market access and debt relief. He described UNCTAD's work in favour of LDCs as instrumental in drawing the international community's attention to the challenge of reducing poverty in these countries, especially through international support measures. He urged member States to support the Integrated Framework and make increased financial efforts to enhance the analytical and operational work of UNCTAD in favour of LDCs. On the issue of preference erosion, he expressed the hope that due attention would be given to the range of mitigating options suggested by the secretariat. He also stressed the importance of South-South trade for LDCs, an area that should be seen as a complement, not a substitute to North-South cooperation.

65. The representative from **Djibouti**, speaking on behalf of the **LDCs**, expressed the group's appreciation of the overall work of the Special Programme for LDCs and the activities of other UNCTAD programmes that had benefited LDCs. He indicated a number of conditions for achieving poverty reduction in these countries.

66. The representative of **Bangladesh**, speaking on behalf of the **Asian Group and China**, commended UNCTAD on its work in favour of LDCs, particularly the analytical work on the challenges faced by LDCs. He pointed to limited supply capacities and low levels of domestic savings as the main factors impairing the ability of these countries to benefit from trade preferences. Accordingly, he called for increases in aid, debt relief, and deepening of preferential market arrangements to decrease poverty. He expressed appreciation for the theme of the upcoming *Least Developed Countries Report* (productive capacity and poverty reduction) and described productive capacity building as a paramount condition for overcoming the adverse impact of preference erosion. In this connection, he urged donors to meet the internationally agreed ODA targets. He also said there should be greater application of UNCTAD's research work through practical action.

67. The representative of **Egypt**, speaking on behalf of the **African Group**, called on member States to enhance their extra-budgetary contributions to UNCTAD for its activities on LDCs with a view to making resources more predictable and allowing continuity in

relevant capacity-building activities. She welcomed recent G8 commitments to write off the multilateral debt of highly indebted poor countries (HIPC) and to double their ODA by 2010. The African Group was concerned with the erosion of market access preferences and lack of progress in the area of special and differential treatment in the context of post-Doha negotiations. She stressed the need for technical assistance and greater policy space to build productive capacities and create a level playing field for LDCs.

68. The representative of the **United Kingdom**, speaking on behalf of the **European Union**, recognized that unpredictability in extra-budgetary resources hindered programmes, particularly in the area of technical assistance, while predictability would enable UNCTAD to meet relevant commitments more efficiently. He noted the need for harmonization of reporting requirements and expressed concern about the decrease in the share of UNCTAD technical cooperation activities devoted to LDCs. He warned against the risk of overestimating the magnitude of preference erosion for LDCs and noted that the adverse impact of erosion was being felt equally severely by several non-LDCs. The most fundamental problems faced by LDCs did not directly relate to the issue of preference erosion. However, essentially all LDCs needed external support, and the European Union, which already accounted for approximately half the volume of world aid to these countries, would contribute substantially, through a special facility, to the “aid for trade” initiative.

69. The representative of **Haiti**, speaking on behalf of the **Latin American and Caribbean Group**, stressed the desirability of ensuring that any concessionary treatment of disadvantaged countries had positive structural effects on these countries (particularly towards reducing economic vulnerability, essentially through productive capacity development), as opposed to a merely compensatory impact, even though compensatory measures – for example, after natural disasters – were sometimes necessary. While highlighting the case of Haiti as the only LDC in the Latin American and Caribbean region, he broadened the scope of his intervention to small island developing States as well as small and vulnerable countries, an implicit – though undefined – group of countries referred to in paragraph 33 of the São Paulo Consensus. He recognized the historically critical role of UNCTAD in supporting disadvantaged countries of all types and urged the secretariat to pursue its efforts in favour of a better differentiation in the special attention given to geographically handicapped nations.

70. The representative of **Japan** acknowledged the problem of preference erosion as one of the greatest concerns of some LDCs, although he did not think that the losses resulting from preference erosion exceeded the gains from trade liberalization. He urged LDCs to strive to enhance their competitiveness rather than seek compensation. He called for improvements in the Generalized System of Preferences to facilitate market access through remaining preferences. He underlined Japan's generosity in providing trade-related technical assistance, with particular reference to trade-related capacity building.

71. The representative of **Ethiopia** urged donors to provide more predictable resources to UNCTAD's Special Programme in order to enable the secretariat to respond to the numerous needs for technical assistance at the national and regional levels. He noted the importance of duty-free and quota-free access to large markets for LDCs and referred to debt cancellation and increases in aid as a moral imperative that also matched the interests of all countries. He called for a successful decade for the development of LDCs.

72. The representative of **China** echoed earlier views on the need for enhanced technical assistance in favour of LDCs. She described these countries as generally vulnerable, many of

them as a result of their geographical characteristics of smallness and remoteness. She noted the paramount importance of special and differential treatment to offset the structural handicaps of LDCs and welcomed the most recent aid, debt relief and market access initiatives in favour of low-income countries in general and LDCs in particular.

73. The representative of **Norway** said that most LDCs had already fallen short of meeting the goals of the Brussels Programme of Action and the Millennium Development Goals. With the current trend of marginalization of LDCs in world trade, the number of people living on less than a dollar per day might increase by 20 per cent or more within the next 10 years. A strong global partnership was needed in order to reverse negative trends, accelerate growth and sustainable development, reform national policies, and achieve greater infrastructural and social investment. LDCs needed greater international support (aid, debt relief, improved market access, investment), and Norway devoted more than 40 per cent of its bilateral ODA to LDCs and would continue to give priority to these countries. She invited other bilateral and multilateral donors to make support to LDCs their priority.

74. The representative of **Cuba** emphasized the importance, for promoting entrepreneurial activity and reducing poverty in LDCs, of access to information and communication technology. She noted the pronounced global asymmetries in this area. She also underlined the need to increase the productivity and competitiveness of these countries and, to that end, to intensify efforts towards aid and market access. She recognized the important role of trade for growth and poverty reduction in LDCs and noted the vulnerability of many of these countries as a result of their high economic concentration in primary commodities. She acknowledged the main initiatives to improve market access for LDCs and welcomed relevant efforts under the Global System of Trade Preferences. She stressed the need to continue to assist LDCs in capacity building, particularly towards better negotiating capacities, especially for countries in the process of accession to the WTO. She commended UNCTAD for its efforts to train LDC officials on WTO issues and emphasized the need for continued international mobilization in favour of LDCs in the light of the Brussels Programme of Action.

75. The representative of the **United States** commended the Special Programme for its work in favour of LDCs and acknowledged its analytical capacity regarding issues relevant to preference erosion. While understanding the legitimate concern of LDCs regarding the erosion phenomenon, she hoped that this would not overshadow the benefits arising, for LDCs as well as other countries, from trade liberalization. Preference erosion was likely to have serious adverse effects only for a few LDCs, and it was still too early to know with certainty what the effects would be. She commented on the proposal for a compensatory fund to cover adjustment costs in the context of preference erosion (referred to in background document TD/B/52/4) and said that her Government would not be prepared to endorse such a proposal. She suggested that the effects of preference erosion could be compensated, *inter alia*, by existing World Bank and IMF resources, in the light of relevant impact assessments. She fully endorsed the secretariat's conclusion that enhancing productive capacities and expanding the export base through enhanced competitiveness was ultimately the most desirable response, by LDCs with international support, to the issue of preference erosion.

76. The representative of **Sudan** said that there was discrimination in international support measures to alleviate poverty. He said that his country did not benefit from debt cancellation measures.

77. The representative of **South Africa** urged UNCTAD to be prepared to play a leading role in the preparation of the mid-term review of the implementation of the Brussels Programme of Action. Reflecting on the G8's recent decision to cancel the multilateral debt of several poor countries, he recalled UNCTAD's pioneering role in advocating debt relief as an essential condition for overcoming the "poverty trap". He commended UNCTAD for its work on LDCs and endorsed the proposal towards stability in the inflows of funds at the disposal of UNCTAD for the benefit of these countries.

78. The representative of **Madagascar** advocated a line of action whereby UNCTAD would conduct, on a country-specific basis, periodic reviews of the factors explaining the LDC status of the country along with standardized analysis of the effective impact of this status, with a view to enhancing the capacity of relevant countries to make the best possible use of the LDC regime as well as suggestions for improving this regime, notably in the context of LDC conferences or mid-term reviews of implementation.

79. The representative of **Afghanistan** described UNCTAD's technical assistance programmes in favour of LDCs as highly valuable, particularly in the context of the Millennium Development Goals. He said the plea for greater policy space for LDCs was vitally important to these countries and called for an enhancement of UNCTAD's role in providing investment- and trade-related support to LDCs.

80. The representative of **Nepal** advocated translating into more effective action the concept of shared responsibility in the development sphere. While the primary burden of pulling a country out of poverty rested on national authorities, poverty in these countries could not be addressed without the international community's support. He praised UNCTAD for its role in supporting enterprise development and trade policy making, and for its research and analysis. LDC exports had benefited much from trade preferences, and preference erosion had been largely detrimental to their economies. In the context of high vulnerability, export concentration and poverty, LDCs needed a comprehensive approach to the question of convergence with the rest of the global economy, with analytical inputs, development assistance towards increased institutional capacities, and systemic answers to the phenomenon of preference erosion.

#### *Panel discussion*

81. The general debate was followed by a lively informal debate on the issue of preference erosion, with the participation of a panel of four experts, after a visual illustration by the secretariat of the extent to which LDCs were dependent on trade preferences.

82. The seriousness of preference erosion in a number of LDCs was recognized. However, it was argued that LDCs themselves should strive to alleviate the domestic constraints that impeded competitiveness. Accordingly, donors and international organizations were seen as having a shared responsibility to help LDCs with pertinent analytical inputs, compensatory measures to mitigate the welfare losses, and long-term solutions, essentially toward lesser dependence on trade preferences. It was noted that the issue of erosion was not specific to LDCs, as it affected many other developing countries. However, LDCs tended to be more sensitive than others to losses in competitiveness, particularly when they suffered from high export concentration.

83. Although no agreement was reached regarding the best solutions to the issue of preference erosion, several avenues for mitigating the adverse consequences of erosion were

discussed (some within the ambit of the WTO, others outside it): import subsidization as a means to foster export diversification; investment preferences; reforms in rules of origin; direct transfers of resources to LDCs to offset trade losses; and the provision of grant-based funding through the Integrated Framework. The concepts of compensatory finance mechanisms to offset the poverty effects of preference erosion, and aid for structural development toward enhanced international trade in goods and services (in the spirit of the “aid for trade” initiative) were discussed extensively.

84. In the debate on improving preferential modalities, particular attention was given to rules of origin. It was noted that, in some export sectors, the use of trade preferences had been hampered by restrictive rules. The latter were increasingly perceived as being founded on an obsolete vision of vertically integrated industries, while production had become internationally fragmented in the context of global interdependence and trade liberalization, which had changed manufacturing processes dramatically. Finished goods were increasingly subject to multi-country and multi-industry interventions, with individual enterprises in different countries specializing in specific production stages, according to their competitive advantage. Accordingly, carrying out several processes to acquire originating status in a single country was no longer consistent with technological progress and global trends. Moreover, with lower MFN tariffs on all large markets, the concern of circumvention often appeared outdated. The debate also revealed that cumulative rules of origin might be beneficial to LDCs in relatively few cases. Overall, participants agreed that rules of origin, in several preference-giving markets, should be revisited to reflect changing globalized industrial trends and production processes, in the light of relevant analyses.

#### *Action by the Board*

85. At its 977th plenary meeting, on 14 October 2005, the Board adopted agreed conclusions 482 (LII) on the review of progress in the implementation of the Programme of Action for the Least Developed Countries for the Decade 2001–2010. (For the text of the agreed conclusions, see volume I of this report.)

## Chapter IV

### **ECONOMIC DEVELOPMENT IN AFRICA: THE ROLE OF FOREIGN DIRECT INVESTMENT IN GROWTH AND DEVELOPMENT**

(Agenda item 5)

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

*Economic Development in Africa: Rethinking the Role of Foreign Direct Investment*  
(UNCTAD/GDS/AFRICA/2005/1).

87. The **Special Coordinator for Africa** said that the issue of foreign direct investment (FDI) was a complex and controversial one even in the developed countries, as illustrated by the controversies surrounding the decision of Hewlett Packard to reduce its workforce in France by more than 1,000, and by the proposed takeover of an American oil company by a Chinese firm that was aborted because of concerns about national security. The objective of UNCTAD's report was to identify and evaluate the response to policies to attract FDI inflows implemented in Africa over the past quarter of a century within the context of wide-ranging macroeconomic reform programmes. Average annual FDI flows to Africa had increased ninefold from about \$2 billion in the 1980s to about \$18 billion in 2003 and 2004, mainly because of new large petroleum and mining projects. However, FDI flows remained low in terms of total global and developing world flows; and up to 80 per cent of total FDI to Africa was concentrated in natural resource extraction, and did not appear to be having the desired developmental effects because the projects it supported were capital-intensive and lacked linkages to the rest of the economy. The fiscal impact had been limited to relative export values generated, and environmental and social costs exacerbated the costs of hosting FDI in the mining sector. In a number of countries, profit remittances exceeded total FDI inflows, sometimes to a very considerable degree. While, from a corporate perspective, the outcomes of recent reforms in the mining sector in Africa were positive, considering the level of incentive offered by host countries, there appeared to be a "race to the bottom". The scale of FDI, and the benefits from it, depended on attaining certain thresholds of a variety of macroeconomic, institutional and structural conditions in the host economy; FDI was, in effect, more of a lag than a lead variable in the development process.

88. The report drew attention to the need for macro policy space for African countries to implement policies that enabled them to derive maximum benefits from FDI inflows. The report of the Commission for Africa recognized that the quality of government intervention hinged on strong local state capacities, and underscored the need for a flexible approach to promoting long-term growth with the precise mix of policies tailored to country specifics. A rethink of policies to attract FDI was required: it was necessary to take seriously the cost-benefit perspective; mix and sequence strategic industrial policies; process resource-based exports at the domestic level in order to create value added and deepen industrial capacity; give priority to domestic capital formation; harness FDI to ODA-led infrastructure programmes in order to generate a substantial financing push; and support regional trading arrangements to help promote trade and investment links through the creation of larger markets. A fresh look at the East Asian experience, where industrial policies, FDI and regional dynamics were, to varying degrees, part of a late industrialization drive, could also provide useful lessons.

89. The representative of the **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, said that the analysis of the development impact of FDI raised fundamental questions regarding its costs and benefits, for example how FDI could be fully utilized as an engine of development and how FDI targeting could be enhanced to contribute to development. The secretariat's report suggested that the State's increased shares in the profits of mining, gas and oil companies should be directed to development-related activities. Also, FDI should contribute to the diversification of the productive base, together with the application of trade and industrial policies conducive to broad-based development. UNCTAD could help in this regard through its policy analysis work and technical assistance. There was a need for a stronger ethos of corporate developmental responsibility and good corporate governance of transnational corporations, so as to ensure that the business sector would be a positive agent of development. The policies of investors' countries to encourage private flows and technology transfers to developing countries could reinforce this effect. UNCTAD's policy analysis in this area could help in the implementation of tailored development strategies. The speaker emphasized that African countries must have enough policy space and that the prescription for good policies without adequate policy space sounded like a nostalgic call for the resurrection of the one-size-fits-all approach to development, the now discredited Washington Consensus.

90. Debt relief was another sector that could positively impact on a global approach to development. The G-77 and China welcomed the initiative of the Gleneagles G8 summit to cancel the multilateral debt of the HIPC's, and to increase aid by \$48 billion a year by 2010. These proposals had been endorsed at the recent World Summit in New York, and reiterated at the autumn World Bank and IMF annual meetings. The renewal of commitments by OECD countries at the World Summit and the initiatives on new financing sources were in line with the concerns about African problems and overall development, and should be addressed up to the highest levels. UNCTAD was called on to carry out substantive work in the framework of debt relief for highly indebted poor countries.

91. Trade was another area where Africa stood to gain. African export potential was not fully exploited within South-South trade. The Global System of Trade Preferences (GSTP) and the New Asian-African Strategic Partnership (NAASP) were mechanisms that could help to develop trade potentials and interregional cooperation, with UNCTAD's continuing support. In conclusion, the speaker recalled that the Doha Plan of Action of the South Summit requested UNCTAD to organize forums on South-South investments, to plan this event in 2006 and to present a report on intra-regional investment flows.

92. The representative of **Egypt**, speaking on behalf of the **African Group**, said that the report followed a tradition of sound and challenging analytical work conducted by the secretariat, which had brought alternative perspectives to bear on the conventional wisdom with respect to African economic development issues. If UNCTAD was to speak with one voice, it must be the voice of development, as this was the institution's established mandate, traditional role and real comparative advantage. The analysis of the facts regarding the role of FDI flows to Africa in the report went beyond a statistical presentation of the magnitude of FDI in the continent and provided a developmental rather than a corporate perspective on the impact of those flows. The report raised a number of concerns. First, despite wide-ranging economic reforms undertaken by African countries during the past two or more decades, FDI inflows had actually declined from 4.4 per cent during the 1970s to about 2.0 per cent during 2001 and 2003, and were a fraction of the FDI attracted by smaller countries such as Belgium and Luxembourg. Second, inflows were concentrated in natural resource extraction; and,

third, the positive impacts, including associated developmental effects, usually attributed to FDI, had not materialized. The corporate social responsibilities of TNCs were therefore of vital importance, and brought into focus the ideas contained in the São Paulo Consensus as well as the Doha Plan of Action and the second South Summit, which needed to be translated into reality by relevant institutions such as UNCTAD. Since the benefits of FDI depended on reaching certain thresholds with regard to a variety of macroeconomic, institutional and structural conditions in the host economy, there was a need for African countries to establish a “developmental state”, including the implementation of policies to reinvigorate public-sector investment as a basis for kick-starting growth; establishing a more dynamic profit-investment nexus; and deepening internal integration. This made strategic industrial policies imperative, and greater macro policy space for African Governments was required. Complementary international support action was also critical. Proposals by the G8 Heads of State and Government at the Gleneagles Summit in June 2005 in respect of increasing aid flows and cancelling 100 per cent of multilateral debts of the heavily indebted poor countries were applauded, as was the renewal of the commitment by a large number of OECD countries at the 2005 World Summit to achieve ODA targets within stated time limits. The principle of “additionality” enshrined in the HIPC debt relief framework (to which the G8 leaders and the Bretton Woods institutions had committed themselves) should be upheld; and no new conditionalities should be imposed on the potential beneficiaries of debt relief.

93. The Doha Round should be concluded in Hong Kong (China) in December 2005 as a truly developmental round that instituted free and unfettered liberalization in international trade in agriculture. UNCTAD should continue to undertake critical and in-depth analysis and provide policy advice on African development, including attaining the MDGs and implementing NEPAD. The intergovernmental consensus-building pillar of UNCTAD must be fully utilized in order to contribute to more effective and beneficial technical assistance and capacity building for Africa.

94. The representative of **Cuba**, speaking on behalf of the **Latin American and Caribbean Group**, said that 71 per cent of LDCs and 32 out of the 38 most indebted countries in the world were African countries. Trade liberalization had destroyed economic structures in Africa, while these essentially agricultural economies had to compete on an unfair basis with large industrialized countries, which heavily subsidized their producers. Local industries had been disappearing and unemployment increasing. These facts indicated the magnitude of the challenges ahead and the urgency for international debates to be translated into specific actions. African countries could not generate the necessary internal savings for the adoption of economic development strategies, and private capital flows should not be used for long-term strategies. Unsustainable debt reduced the capacity to attract foreign and domestic investment, and therefore prevented growth and limited public investment in infrastructure, basic services, human resources development and any other expenditure for poverty reduction. The continent was suffering continuing emigration of its population, losing professionals and technicians. Despite Africa's rich natural resources, it faced problems related to underdevelopment, such as poverty, hunger, illiteracy, poor health and conflicts. The wealth of the continent could contribute to its economic development, but for that to happen, African countries needed assistance, finance and investment, as well as the promotion of their own integration mechanisms.

95. Developed countries and international financial institutions argued that Africa needed to create an environment of greater economic freedom and greater security in terms of property rights in order to attract investment. However, it appeared from UNCTAD's report

that focusing on attracting FDI could be bad for a development policy and in some cases could even distort long-term economic potential. FDI had become the preferred way of development finance in Africa in the hope that it could compensate for the investment deficit without increasing external debt and provide employment, export opportunities and new technologies. Foreign companies had even received incentives which were similar to subsidies, at the expense of policies that tried to encourage national companies and domestic investment. However, Africa had received only a very small proportion of global investment flows. The record of the adjustment programmes of the last 20 years did not support the idea that opening up to foreign companies would transform the investment climate in Africa. These programmes did not help to modify the structural features of the region or to integrate it positively into the world economy, while they clearly failed in restabilizing a favourable economic climate for investment and employment. The idea of attracting greater FDI was still valid as one of the results of the neoclassical view of development, although it could generate costs as well as benefits. Structural distortions and macroeconomic limitations had consolidated a FDI regime that was characterized by low value added and insubstantial reinvestment of profits. Africa still had a difficult task in balancing the benefits and costs of FDI, and avoiding speculative investments that sought rapid returns with a short-term horizon. Internal capital accumulation had to be reactivated. Coherent international trade, financial and monetary policies were needed, as well as policy space for African countries to apply their own strategies in order to develop their endogenous capacity to generate resources and improve their production and trade performances.

96. The representative of **Indonesia**, speaking on behalf of the **Asian Group and China**, said that the secretariat's analysis of the impact of FDI in Africa highlighted the fact that there was no panacea for development, and that one policy tool alone could not help developing countries overcome their development challenges. Other policy instruments must complement FDI in order to generate the resources necessary for development, and policies to attract FDI must be balanced with others in the areas of trade and finance in order to reach a healthy equilibrium of policies. Furthermore, this equilibrium must be supported by an enabling international environment that complemented a sound approach by African countries at the domestic level. Domestic policies of developing countries could be developed and implemented only if the latter had adequate policy space to tailor development strategies to their particular needs and circumstances. Development coherence included progress on fronts other than FDI, such as reform of the international financial architecture and progress in the WTO Doha Round. Thus, the Asian Group and China welcomed the recent debt relief initiative, resulting from the Gleneagles Summit, to cancel multilateral debts of the heavily indebted poor countries, and to increase aid by \$49 billion a year by 2010. It was encouraging that these proposals had been endorsed at the Millennium Plus 5 Summit, and reiterated at the recent autumn session of the World Bank and the IMF. UNCTAD should continue its work in the area of debt, including the study of the application of debt-for-equity swaps for development. One proposal presented at the Millennium Plus 5 Summit was to convert half of the foreign debt of 100 heavily indebted and middle-income countries into funds for anti-poverty programmes in the areas of reforestation, mass housing, energy, eco-tourism, irrigation and post-harvest facilities, land reclamation, agricultural productivity and wealth-creating projects. The delegate highlighted South-South cooperation as an avenue complementing traditional approaches to Africa's development. The experiences of successful developing countries could provide lessons that could help further tailor development policies in Africa. In addition, the GSTP could yield concrete dividends. The Asian Group and China were hopeful about achieving greater cooperation as a result of the New Asian-African Strategic Partnership (NAASP) agreed at the Asian-African Summit held

earlier this year, together with UNCTAD's support for future initiatives in operationalizing the NAASP.

97. The representative of **Benin**, speaking on behalf of the **least developed countries** (LDCs), said that a number of development challenges faced by Africa could be addressed only in a favourable international environment. Although Africa's population constituted about 13 per cent of the world's population, the continent received only a little more than 1 per cent of FDI and accounted for only about 1 per cent of world GDP. In the light of present performance and bearing in mind the MDGs, the international community should provide a clear answer and concrete solutions to the framework problems faced by Africa. The financing of development was essential for African countries, where internal resources were meagre and the external debt burden weakened the capacity of Governments to undertake the necessary investments. More assistance was required, including debt forgiveness. In this regard, the LDCs appreciated the recent decision to cancel their foreign debt. However, this should be complemented with investments at a suitable level to promote economic development by providing finance for roads, energy, drinking water, sanitation, schools, irrigation, fertilizers, and so forth. These investments should lay the foundations for sustainable growth.

98. It was urgent to strengthen and diversify the production capacity of African countries. While this requirement was not new, it was more urgent today than ever before. The harmonious integration of Africa into the world economy required more competitive and technological capacities. In that connection, FDI was of major significance. The secretariat had shown that regional cooperation could bring about greater financial stability as well as better planning for infrastructure building and greater industrial development. All these elements could contribute to improvement of local enterprises and promote foreign investment. African economies experienced structural constraints, and there was thus a need for a regional policy to address the provision of infrastructure.

99. In conclusion, the LDC Group thanked UNCTAD for the work undertaken to assist in strengthening and promoting trade capacity in Africa. It would like UNCTAD's assistance to be extended to other forms of cooperation, for instance training in multilateral commercial diplomacy, debt management and targeting of investment, as well as initiatives to support production and diversify commodities.

100. The representative of the **United Kingdom**, speaking on behalf of the **European Union and the acceding countries of Bulgaria and Romania**, said that primary responsibility for African countries' development lay with those countries themselves. In a spirit of partnership, the EU supported NEPAD through coordinated and targeted aid policies among donors, and was willing to cooperate with the African Union in the efforts to achieve the MDGs. It was hoped that, together with the World Bank's Africa Action Plan, the European Council's meeting in December 2005 would provide a framework for the EU's assistance to Africa. There was a great challenge in terms of peace, security and governance. More efforts must be made to promote peace and security in all stages of the conflict cycle, namely conflict prevention, conflict management, conflict resolution and, most importantly, post-conflict reconstruction. The EU had established the Peace Facility for Africa, to which 250 million euros had been given in 2004. A part of the fund had already been used for peace support efforts in the Central African Republic, as well as for the capacity-building activities for the African Union's Peace and Security Directorate. Another building block for partnership was the EU-Africa Forum on Human Rights. With regard to economic growth

and trade and their interconnection, the speaker highlighted the importance of macroeconomic and structural policies that would encourage private investment and pro-poor growth.

101. The EU had no intention of imposing policies on African countries, and certainly not a one-size-fits-all approach, but there was a need for some sort of framework. The speaker noted that there had not been much discussion in the Board about the Euro-Africa Business Forum, which had brought together entrepreneurs, public and private, from Europe and Africa to discuss foreign as well as domestic investment. In addition to North–South trade in long-distance markets, African countries should explore the possibilities of expanding South–South trade among neighbouring countries. Recently, the issue of preference erosion had been referred to more frequently, and the EU was willing to discuss it with its trade partners. The speaker was hopeful about the Enhanced Integrated Framework for the LDCs, discussed in the Development Committee of the World Bank and the IMF at the end of September. He was willing to discuss the question of what was called trade adjustment costs of developing countries. Also, he underlined the importance of regional trade agreements as well as that of bilateral ones.

102. Referring to UNCTAD's Africa report, the speaker said that the EU member States were slightly disappointed with it, not because of its factual accuracy, but because it gave the general impression that FDI was bad. It could have been more positive if it had indicated that FDI could be useful if the conditions were right. The report should have been more careful about policies for attracting FDI by including discussion of foreign as well as national investors. The speaker agreed with the report's suggestion that a regional approach be used to attract FDI. It might be interesting to see the effects of debt cancellation on domestic savings in developing countries. The speaker expressed his interest in acquiring more knowledge about the recent proposal for a debt-for-equity swap put forward by the Group of 77, pointing out that similar proposals had been attempted and had not proved very successful. In conclusion, he suggested that the UNCTAD secretariat look into the privatization of public sector services (such as water, electricity and telecommunications) in the context of the effects of FDI.

103. The **representative** of the **Islamic Republic of Iran** noted that despite their efforts to create an environment conducive to promoting trade and development, the African countries had encountered many difficulties in achieving the Millennium Development Goals. They were facing increased poverty, a stagnant economic situation and a slowdown in economic growth resulting from the debt crisis of the early 1980s. The recommended adjustment programmes had paid little attention to the specificities of Africa's conditions, such as its colonial history and its continuing legacy, which had made the exports of this continent dependent on the markets of a small group of countries. This was intensified even further by limited intraregional trade and small domestic markets. Even though the export sector had managed to attract FDI, it had failed to establish sustainable linkages with other sectors of the economy such as industry and manufacturing. Three areas of interaction could be identified for action to improve the situation. First, African countries should be able to formulate plans and policies based on their specific conditions. The flow of FDI should not only target specific sectors, but also aim at reaching stream activities which could result in a stronger manufacturing and industrial sector in those countries. Second, it was necessary to achieve greater regional coordination in the fields of taxation and incentives for FDI in order to prevent a “race to the bottom” and to expand production capacities in those countries through intraregional trade. Major African economies had an important role to play in this process.

Third, as had already been mentioned, FDI flows were concentrated in regions that had the necessary infrastructure in place and dynamic manufacturing and industrial sectors. It was important that other African countries be included in this process. Hence, policies for promoting domestic firms' capacities and taking the necessary measures to diversify their economies should be put in place. That was why a higher level of ODA and technical cooperation was needed in order to strengthen the capacities and institutions of these countries.

104. The representative of **China** said that the report on economic development in Africa was very constructive, and analysed the utilization of FDI by African countries. Unfortunately, since the debt crisis in early 1980, the external environment of African countries had experienced a rapid deterioration, with major blows to manufacturing industries, sluggish investment, an increasing debt burden, limited improvement of infrastructure, product diversification and income growth. All these factors had contributed negatively by further reducing the attractiveness and the quality of the utilization of Africa's FDI. That was why the international community needed to adopt specific and targeted measures to help improve the investment climate in this continent. China attached great importance to African development, as shown at the recent UN Summit, at which President Hu Jintao had announced five measures to support developing countries, especially African and least developed countries. Chinese enterprises were encouraged to invest in cooperative projects in Africa in fields ranging from trade, production, resource exploitation and transport to agriculture and further processing of agro-products. By June 2005, Chinese total direct investment in Africa had reached \$1.025 billion. Furthermore, China had concluded an agreement for the promotion and protection of investment with 25 African countries and for the avoidance of double taxation and prevention of tax evasion with eight others. China had also provided assistance and support in various fields by training 2,526 persons in 2004, and was expecting to train up to 3,800 by the end of 2005. An important role was played by the China-Africa Cooperation Forum, especially in facilitating visits by the Chinese and African trade and economic communities, and urging Chinese companies to invest and cooperate in Africa. China had cancelled or reduced part of Africa's debt to China, some 31 HIPC's having had their debts cancelled, and had granted duty-free treatment to African exports to China. Moreover, China was ready to cancel \$10 billion of African debt.

105. The representative of **Norway** expressed appreciation for the high quality of UNCTAD's report on economic development in Africa, and noted that although the share of developing countries' FDI had increased, the World Investment Report showed only marginal changes in Africa's share of global FDI. In many African countries ODA continued to play a predominant role in capital flows. Norway was greatly concerned that many African countries were behind schedule with regard to meeting the MDGs. Public money and development assistance were necessary ingredients in effective poverty reduction, but they were far from sufficient. In addition to a sound and predictable investment climate, supportive macroeconomic policies and institutional and legal frameworks, local authorities should ensure the presence of good governance, political stability and a solid physical infrastructure.

106. Norway had made education a prime target because in addition to an investment-friendly environment and natural resources, assets such as skilled labour and a strong educational system were needed to attract an increased level of FDI. Norway would continue its substantial assistance to the World Bank, UNCTAD and other multilateral agencies that provided technical assistance and promoted capacity building in developing countries.

Referring to the importance of reversing the unfavourable investment pattern in Africa, the speaker noted that recent initiatives aimed at putting an end to neglect of the continent. The Commission for Africa and the G8 countries' Partnership for Africa were encouraging developments. Stressing that LDCs should be given top priority in UNCTAD's activities, she said that her country was greatly concerned by recent figures showing that only 15 per cent of UNCTAD's resources for technical assistance was allocated to Africa.

107. The representative of **Nigeria** said that how to get Africa out of its poverty cycle had long occupied the attention of policymakers at the national and international levels. While the strategy of taking advantage of FDI inflows had been successful in other developing countries, this had not been the case in Africa. The secretariat's report identified major factors responsible for Africa's failure: poor governance, geography and distance from leading markets, low population density, harsh climatic conditions, and the fact that some of its countries were landlocked. To these factors the speaker added the people's low purchasing power. His delegation agreed with the report's view that the lingering colonial heritage linking African countries to their erstwhile colonial metropolises had tied these countries to dwindling markets rather than allowing them to expand to other established and emerging markets, and consequently limited their options in terms of trade and access to capital. Africa's inability to benefit from FDI was also due to low capital formation and de-industrialization, which were observable effects of structural adjustment programmes, unrestrained capital flight through profit repatriation, debt and lack of well-articulated policies determining sectoral application of FDI. Regarding the extractive industry, which the report dealt with in depth, the speaker explained that his country had been a major beneficiary of FDI in the oil industry, and had had to contend with the dilemma of balancing the profit motive of the TNCs with inward-looking programmes such as those relating to environmental awareness. However, this was being addressed through specific policy formulations.

108. The report also highlighted the dilemma of African countries accepting FDI and invariably foreclosing effective competition in the relevant industry, which might be dealt with through policy realignment in a managed liberalization process that took into consideration the specificities of the African situation. The speaker welcomed the report's views on the benefits of economic integration and its call for agreement on the nature and extent of tax breaks and other incentives for foreign investors. To what extent any such agreement could hold in the scramble for limited FDI remained debatable, however.

109. The representative of **Ethiopia** fully associated his delegation with the statements made by the Group of 77 and China, the African group and the LDC group. He said that Africa was faced with daunting development challenges, and was the only region in the developing world where extreme poverty prevailed. On current trends it was feared that the continent would fail to achieve more of the MDGs than any other developing region. The continent had not enjoyed the benefits brought about by globalization, as manifested in its shares – the lowest of all – in global FDI, trade, financial flows and global GDP. For FDI programmes to be effective, cost-benefit analysis should be carried out properly. Africa had to persevere with its efforts to create much stronger foundations for tackling its problems. However, because of the multiplicity of the problems, it needed the solidarity of its development partners. Africa needed to work closely with UNCTAD to diagnose the core development challenges. It needed to diversify its exports, retain policy space and strengthen regional cooperation to tackle its economic problems. The subprogramme for Africa should continue, as in this report, with its critical and focused analysis of issues of interest to Africa and suggest the way forward.

110. The representative of **Japan** said that in the light of the importance of economic development in Africa, his Government had initiated in 1993 the TICAD (Tokyo International Conference on African Development) process, with a view to sharing Asian experiences with African countries. The TICAD meetings had taken place every four years, with the leaders of African States and heads of relevant international organizations participating. Most recently, in November 2004, a TICAD Trade and Investment Conference had taken place in Tokyo, where the Japanese Government had announced its intention of inviting 10,000 Africans over the next four years for training in capacity-building.

111. Praising UNCTAD's Africa report for its excellence, the speaker said that it was full of ideas for development strategies, significantly contributing to the international discussions on the development of African countries. He supported in particular the recommendations of the report, as they were holistic in their approach with the emphasis on strategic industrial policy, together with regional efforts for creating a better investment climate. However, he questioned the report's support of performance requirements, in particular local content requirements. Bilateral investment treaties of the United States, Japan and Canada did not prohibit a set of performance requirements, such as export requirements, employment requirements for local workers, technology transfer requirements and the like, so that investment recipient countries could maintain some policy space. Every WTO member State should abide by the WTO TRIM principles, which stipulated local contents only to a very limited extent. Regarding UNCTAD's investment-related activities, the speaker suggested that the secretariat further expand the discussion on investment agreements in the light of the increasing importance of such agreements, and explore possibilities of establishing a mechanism to assist developing countries in resolving investment disputes.

112. The representative of **Chad** associated his delegation with the comments made by the African and LDC groups, and praised UNCTAD's Africa report as a remarkable and detailed analysis, which identified the advantages and disadvantages of FDI particularly in situations of low domestic savings and heavy dependence on exports of primary commodities, which pertained in Africa. FDI did not play a positive role in those economies because of the enclave nature of the sectors to which it was attracted. This required the implementation of programmes to ensure that FDI fulfilled its role as an engine of growth. In the light of the secretariat's report and the conclusions of the Africa Commission Report and others, the development partners should redirect their technical assistance programmes to help Africa fight effectively against poverty in order to attain the MDGs.

113. The representative of **South Africa** associated his delegation fully with the statements made by the Group of 77 and China, the African group and the LDC group. The review of the world economy and the new interdependence that prevailed had helped the participants in understanding current global situations. Recent global economic trends called for major policy initiatives, for example for export diversification, investment in infrastructure and control of price volatility. Despite the increased demand for commodities and the resultant high prices, gains were accruing to only a few countries. Income earned from these gains could be reinvested in local development with appropriate policies. The share of profits earned by government from FDI operations was insignificant, the result of a "race to the bottom". This situation had to be reversed if the gains from the FDI were to be made concrete. Although a marked liberalization, and deregulation and privatization policies, had been implemented, FDI inflows to Africa as a proportion of total developing country inflows had declined. The fiscal impact of FDI was slight, and the inflows had not been able create jobs, establish linkages with the rest of the economy and transfer technology. Corporate

social responsibility for development by TNCs in Africa, which entailed maximizing TNCs for the economic and social development of host States, was imperative. The ideas contained in the São Paulo Consensus, and further mandated by the Doha Plan of Action of the Second South Summit in June, needed to be operational through the work of relevant institutions such as UNCTAD. His delegation fully agreed with the report on FDI issued by UNCTAD.

114. The representative of the **African Union** said that the Africa report contained an enlightening and well-thought out technical analysis of the policies of African Governments for attracting FDI, including those on privatization and deregulation. It examined their results in relation to the expected benefits, such as job creation, technology transfer and creation of linkages with the rest of the economy, as well as fiscal revenue generation. The report also made pertinent observations on the effects of FDI, or a lack of FDI, on economic growth and poverty reduction. Its findings were quite sobering: the African continent received very low levels of FDI flows, mostly in the extractive sectors. The benefits of FDI had not been forthcoming, partly owing to its capital-intensive nature, and only a very small portion of exports related to FDI accrued to the host countries as a result of the “race to the bottom” incentives. In the light of these findings, the report called for a rethinking of FDI policies lest the “race to the bottom” keep Africa at the bottom in perpetuity. It deserved to be acted on by the UNCTAD secretariat and the Commission of the African Union. Such actions should be appropriately factored into UNCTAD's work in consensus-building and technical cooperation, including the Investment Policy Reviews for, and bilateral and regional investment treaties concluded by, African countries.

115. The report had been brought to the attention of the relevant authorities of the Commission, and the cooperation of the UNCTAD secretariat was expected as the African Union would embark on an attempt to enhance the ability of Africa to obtain the maximum benefits from its natural resources. With a view to the creation of an external environment conducive to African development, the speaker called on development partners to strengthen their commitment to the regional efforts to reduce poverty. He said that the UNCTAD position was now the mainstream one, pointing out that the outcome of the recent G8 summit corroborated the conclusions reached earlier by the secretariat. Encouraging the secretariat to continue to serve Africa's cause diligently, he was hopeful that local efforts and complementary external support would ensure that African countries went a long way towards meeting the target of halving the incidence of extreme poverty by the year 2015, as agreed at the Millennium Summit.

116. The representative of **Egypt** emphasized the willingness for the interactivity and partnership mentioned by the representative of the United Kingdom. Commenting on the constant reference to “political space”, he said that the economic tools that had been available 30 years ago were no longer available, and gave as an example the African Group's proposal in respect of TRIMS (trade-related investment measures) at the WTO, where there was not enough flexibility to make countries pursue their investment and trade policies. UNCTAD needed to accommodate these requests and proposals to ensure proper functioning of policy space. Many bilateral investment agreements had caused a large number of disputes since they did not consider the national political space contexts. Industrial policy was a crucial issue, as no one could industrialize without developing an industrialization policy first. Consequently, UNCTAD had to speak with one voice – the voice of development – to ensure that developing countries had the policy space to pursue their development strategies.

117. The speaker then referred to the issue of international corporations, which had been granted so much independence, while sovereign African countries could not act independently. As TNCs were the main beneficiaries of globalization, they should play a role in development, with their increasing rights being matched with increasing responsibilities. Furthermore, they should be encouraged to transfer technology, reinvest their revenues and upgrade their human capacity. South–South relations had their own roles to play, but the main role in the development process was to be played by the developed countries – that is, the systemic responsibility of the international economic system rested on the shoulders of the major nations. Consequently, the responsibilities of North and South in this connection were, and must be, acknowledged. The positive discourse on development had to be translated into positive action and policies in documents.

*Action by the Board*

118. At its 978<sup>th</sup> plenary meeting, on 7 November 2005, the Board adopted agreed conclusions 484 (LII) on economic development in Africa – the role of foreign direct investment in growth and development. (For the text of the agreed conclusions, see volume I/Add.1 of this report.)

## Chapter V

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

(Agenda item 6)

119. For its consideration of this agenda 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/52/8).

120. The **Director of the Division on International Trade in Goods and Services and Commodities** said agenda item 6 provided a valuable opportunity to take stock of where the multilateral trading system, the Doha work programme and its development agenda were headed. Member States had found frank intergovernmental dialogue in a non-negotiating environment of great value in providing an overview of the negotiations, their development linkages, and thematic and sector-specific concerns. In a world of global economic interdependence, an open, rule-based, non-discriminatory, predictable and equitable multilateral trading system that delivered development-oriented results was a public good that all countries should strive to support. The multilateral route offered the best solution to the liberalization and promotion of trade, and no single existing regional or bilateral trade agreement, or any combination thereof, could deliver the same benefits, predictability and security as a well functioning and development-oriented multilateral trading system. UNCTAD had been tasked by the São Paulo Consensus to uphold just such a multilateral trading system.

121. The Doha Round was not about what happened in the next few months or even at the end of 2006, when it was expected to end. It was about setting the rules of a new trade and development paradigm for the next 10 years or more, and the stakes for developing countries were therefore high. With the right mechanisms in place, the trading system could deliver efficiency and welfare gains, promote achievement of the MDGs, and thus make a big difference for the millions of poor. But equally, developing countries were now important to the Doha Round in an unprecedented way. Whether one looked at their contribution to world trade growth and their share in both goods and services exports, or at their becoming new demand growth poles and markets, their majority in the WTO was not merely about numerical strength; it was about unleashing their current and future potential for the benefit of all. Developing countries represented the new frontier for world trade and economic expansion in the world economy.

122. To promote the trade and development prospects of developing countries, there was no better alternative to a “fair deal” for them in the Doha round. There was need for steady progress and liberalization of trade in areas of interest to developing countries: agriculture; non-agricultural products; temporary movement of natural persons supplying services and cross-border supply of services; eliminating or substantially reducing market access and entry barriers for products and services of export interest to developing countries; eliminating export subsidies and all trade-distorting support to agriculture, including cotton; extending bound duty-free and quota-free market access for all LDCs and for all their products; providing special and differential treatment under all areas of negotiations and harvesting a

meaningful package from the agreement-specific proposals; and finding an expeditious and permanent solution to TRIPS and Public Health in facilitating access to essential medicine. To make the Doha Round a success, there was also need for a “Doha-plus” trade-enabling development cooperation agenda. This would involve helping developing countries meet adjustment costs, putting in place and strengthening their physical, social and trade-related infrastructure, productive capacities and competitiveness. Such aid for trade, in addition to aid for development, was particularly relevant for the weakest WTO members – the LDCs and other countries with special needs, including small, vulnerable economies.

123. UNCTAD’s commitment to the multilateral trading system and to assuring development gains from the international trading system and trade negotiations would remain its central mission and development vocation. UNCTAD also embraced a multi-stakeholder approach in its work, including with the WTO, on many issues affecting the multilateral trading system.

124. The 6<sup>th</sup> WTO Ministerial Conference would be a crucial milestone in advancing the trade liberalization agenda with a significant, realizable development package, and the secretariat’s note suggested elements of such a package. There was a pivotal need to reach agreement on clear, measurable and specific modalities, decisions and recommendations in key areas of the negotiations and work programme in Geneva prior to the Ministerial Conference. Furthermore, emphasis was required on outcomes of interest to developing countries that could have the greatest impact on poverty. In that connection, the secretariat’s note highlighted elements of UNCTAD’s New Trade Marshall Plan for LDCs to promote trade and development and achieve the MDGs.

125. The **Director-General of the World Trade Organization** said that he considered development to be a horizontal issue that should be integrated into all aspects of the WTO negotiations. The key focus should be on maximizing the development value of every sector and of the Round as a whole. In recognition of the fact that developing countries accounted for over 75 per cent of the WTO’s membership and had a central role in all trade negotiations in the WTO, the Doha Development Agenda (DDA) had placed development at the centre of the new Round of negotiations.

126. Trade and trade policy had become fundamentally important tools in the fight against poverty and the achievement of the Millennium Development Goals. Trade and development – even given differing perceptions about development – were increasingly perceived as being inextricably linked to each other. More than 70 per cent of the development outcome of the Round would come from the areas under negotiation, including agriculture, services and non-agricultural market access. Results would have to adequately reflect the concerns of developing countries with regard to the development dimension of the DDA.

127. On agriculture, the decision to eliminate export subsidies would go a long way in reducing the existing global trade distortions. However, Members still had to agree on a realistic date for the elimination of these subsidies, as well as on concrete figures for slashing trade-distorting farm support and on a package of equivalent ambition on improving market access for developing countries. On cotton, while part of the problem was in the WTO and would be addressed as part of the agriculture negotiations, yet another part related to the implementation of the recent panel decision by the United States. In the meantime, bilateral and multilateral donors had to urgently focus their efforts on resolving this problem.

128. On non-agricultural market access negotiations, the challenge was to find a formula that was effective, transparent and equitable, and which incorporated appropriate special and differential treatment for developing countries. Developing countries had a positive interest in enhanced market access, including through reductions in tariff peaks and escalation that could lead to higher value addition in these countries.

129. Special and differential treatment was a key concern for developing countries. He recognized the need to make the existing provisions as effective as possible and pledged to do all he could in order to achieve a credible result by the Hong Kong Conference. However, developing and least developed countries also needed to focus their efforts so that areas to include S&D provisions could be “precise, effective and operational”.

130. The LDCs deserved maximum attention so as to ensure that they benefited most from the Round and that their adjustment problems were minimized. While flexibility had been granted to LDCs in undertaking commitments and considerable progress had been made in providing them with improved market access to developed country markets, the benefits of market openings did not accrue automatically. He stressed the need for assistance for developing countries and in particular LDCs to strengthen their supply-side capacity, to increase trade efficiency and to solve practical trade problems so that they could take advantage of improved market access opportunities created by the multilateral trading system. He welcomed the endorsement of the Aid for Trade initiative by the Development Committee of the IMF and the World Bank, and expressed the hope that, by the time of the Hong Kong Conference, consensus could be reached on how to enhance the Integrated Framework for LDCs, including by expanding its resource base.

131. There was growing recognition that part of the challenge of fulfilling the development dimension of the DDA lay outside the WTO, and the active support of partner organizations such as UNCTAD for the common global agenda was needed to build the developing countries’ capacity to take advantage of, or adjust to, open markets. Cooperation with UNCTAD could include support for developing countries in the negotiations, including in respect of special and differential treatment and policy space, trade preferences and their better utilization through improved rules of origin, and carrying forward the Aid for Trade Initiative, which should not be a substitute for market access.

132. Market access was not just a North-South issue, but equally a South-South issue, as developing countries accounted for a very significant share of world trade and were participating in multilateral trade negotiations to an extent never seen before. Possibilities existed to substantially increase trade between developing countries as a whole, both within regions and across regions, through strengthened South-South cooperation and the ongoing GSTP (Global System of Trade Preferences among Developing Countries) negotiations.

133. The active and constructive participation of all WTO Members would be required for the fulfilment of the Doha agenda. It was important to ensure a balanced outcome that met the aspirations of all WTO Members. The opportunity to evolve a development-oriented multilateral trading system must not be missed, since the Hong Kong Conference would not be just another checkpoint in the negotiations, but the best chance to move the Round to a successful conclusion by the end of 2006. Failure to meet the target would mean the loss of a unique opportunity to rebalance the world trading system in the interest of developing countries.

134. The representative of the **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, stressed the importance of multilateralism and the Doha Work Programme (DWP). He emphasized that the time had come for Members of the WTO to exercise the political will to ensure the success of the DWP. Despite several missed deadlines, the Group of 77 remained cautiously optimistic that the remaining months would be productive in ensuring a positive outcome at the 6<sup>th</sup> WTO Ministerial Conference in Hong Kong and that the negotiations would subsequently be concluded in 2006.

135. In order to achieve the São Paulo Consensus goals on assuring development gains, trade negotiations needed to be placed in the broader context of a shared vision of development and an international trade policy based on the Millennium Development Goals (MDG) and focusing on halving poverty by 2015 through, for example, national economic policy space, institutional innovation, and investment in human capital and development-oriented infrastructure.

136. Despite its importance for development, ODA could not be a substitute for trade. Gains from trade helped in generating income and social change, thus undermining negative elements, including poverty. Such gains could only accrue if suitable adjustment mechanisms were built into the trading system *ex ante*.

137. The Group underlined the need for legitimate policy space for developing countries to pursue their development agenda, including through the operationalization of special and differential treatment, less than full reciprocity and sequenced liberalization.

138. With respect to specific areas of the DWP, it would be particularly important to find amicable solutions for the long-outstanding implementation-related issues, as well as SDT issues. In agriculture, issues that required special attention included the treatment of tropical products, sensitive products, special products, the Special Safeguard Mechanism (SSM) and making the Green Box more development-friendly. The availability of sensitive products to the developed countries should not lead to the exclusion of products of export interest to the developing countries and LDCs from the liberalization process. On NAMA, the Group favoured a formula approach that took on board development concerns such as tariff policy as a tool for development. Sectoral liberalization should remain voluntary, and non-tariff barriers (NTBs) must be addressed in all markets. On services, meaningful commitments on market access in sectors of export interest to developing countries, as well as modes 1 and 4, were important. On trade facilitation, the modalities in the July Package must be fully respected. The concerns of the West African cotton-producing countries must also be urgently addressed. In the area of textiles, proposals for post-ATC adjustment assistance to affected members, particularly small producers, should be examined.

139. An adequate adjustment facility should be built into the multilateral trading system *ex-ante* to cater to the needs of those poorer Members that needed such a facility either to offset the losses resulting from the erosion of preferences or to undertake the necessary structural adjustments ensuing from trade liberalization. The GSP Schemes had proved their usefulness, countries with GSP schemes should consider the possibility of expanding and improving their schemes. Finally, the Group expressed its appreciation for the secretariat's high-quality technical assistance and capacity-building programmes.

140. The representative of the **European Commission**, speaking on behalf of the **European Union and the acceding countries Bulgaria and Romania**, said that the secretariat's note provided thought-provoking suggestions for policy makers and negotiators.

He recalled the EU's commitment to ensuring that the Doha Development Agenda delivered outcomes that would indeed make a big contribution to the sustainable development of WTO Members. However, it was only at the end of the process – when economic actors in the real world of business took their decisions on which goods and services to produce and trade – that the full ramifications of the round would become known. The full benefits of the Round would flow from the negotiations on market access and associated rule-making, and there would need to be an effective response to the “offensive” market access interests of all countries. The development dimension must remain a crucial over-arching theme of the whole negotiation and a key component of each negotiating area.

141. Other issues under negotiation in the DDA and the regular WTO work programme with developmental relevance included the more “defensive” concerns of developing countries, for example demands for SDT in the form of fewer or no obligations in comparison to developed countries or the demand that negotiations deal effectively with concerns on issues such as preference erosion or loss of tariff revenue. The objective for the Hong Kong Conference remained “full modalities” for agriculture and NAMA. This meant getting clear numbers for the reductions in market access barriers and for reductions in domestic support and the phasing out of export subsidies. While the negotiations had fallen behind schedule, the intensive work under way would generate sufficient momentum to move the negotiations forward. The EC was serious about moving the negotiations forward and hoped to get the right response from other negotiating partners. However, leaving everything for Ministers to resolve at Hong Kong would be a recipe for overload.

142. To ensure that developmental aspects, including appropriate SDT, were effectively integrated into each of the main negotiating topics – agriculture, NAMA, services and trade facilitation – developed countries should do more in terms of market opening than developing countries, as already confirmed in the July Framework, and LDCs should not be required to do anything at all. At the same time, a pro-development outcome also demanded that developing countries themselves accept an appropriate level of access commitments and disciplines in the rules areas. Four broad issues were essential for progress to be made in Hong Kong: duty-free/quota-free market access for the least developed countries; agreement on specific proposals for special and differential treatment, especially those presented by the LDCs, and the set of implementation issues; further strengthening of trade-related assistance and capacity building; and implementation of the principle that the market access commitments of developing countries should better reflect their individual levels of development. The issues relating to TRIPS and public health could be dealt with before ministers meet in Hong Kong. He underscored the importance of moving away from political declarations to action. Finally, the success of the development dimension depended on a more multi-dimensional and better nuanced response to the real needs of developing countries and LDCs in facing up to the challenges and seizing the opportunities of international trade. Ultimately the multilateral trading system provided opportunities, but did not guarantee results.

143. The representative of **Egypt**, speaking on behalf of the **African Group**, said that the recent World Summit, the report of the Commission for Africa, and the G8 Summit in Gleneagles were important efforts in the wider process of development solidarity that must be transformed into tangible results. Trade played a major role in Africa's development process, and Africa looked forward to a development-friendly outcome to the Doha negotiations that would help reverse the vicious circle of marginalization affecting Africa. The African Group

expected key decisions on agriculture, NAMA and other aspects of the Doha Work Programme to be taken at the WTO Hong Kong Ministerial Conference.

144. Special attention should be given to the unique development challenges facing Africa. The time for a “fair deal for Africa” had come, encompassing trade rules and outcomes that could enhance Africa's production, trade capacity and competitiveness, as well as providing effective market access and responding to its specific trade and development concerns. The African Group favoured an approach to trade negotiations based on the MDGs and the São Paulo Consensus, with emphasis on fairness, equity and development solidarity. More emphasis should be put on: improved market access for products or services of export interest to Africa, in particular agricultural products, labour-intensive manufactures and mode 4 services; immediate elimination of trade-distorting support for cotton producers in developed countries; timely elimination of export subsidies by a credible end date; increased attention to policy space for African countries; and provision of operationally effective special and differential treatment in all areas of negotiation.

145. Agriculture remained the most important sector in most African and other developing countries, and progress in this field would determine the outcome of the Ministerial Conference. Attention needed to be paid to erosion of preferences and the problems of net-food-importing developing countries and LDCs. The issue of cotton was important in terms of both production and exports, and negotiations in this sector should encompass all trade-distorting policies. There was an urgent need for coherence between the trade and development related aspects of the cotton initiative. On NAMA, the Group's focus was on the formula, the flexibilities, and bound tariff lines. The modalities of the negotiations should provide for policy space and deal with erosion of preferences, industrial development, and the sheltering of Africa's nascent industries through less-than-full reciprocity and SDT. NTBs should be dealt with. On services, most African countries were crippled by supply-side constraints compounded by stringent measures taken by host countries. There was a need for substantial improvement in market access, especially for mode 4, early conclusion of the assessment exercise, intensification of work in the rule-making area, and increased and targeted technical assistance for effective participation. African countries recognized the potential benefits of trade facilitation and emphasized the need to provide operational special and differential treatment and policy space, as well as support for regional efforts among African countries. The recently introduced complementary approaches were a matter of concern, since they would reverse the logic and spirit of the GATS and the guidelines for negotiations, leading to a substantial loss of the “built-in” flexibilities for developing countries.

146. On development issues, urgent attention should be given to completing the review of all outstanding special and differential Agreement-specific proposals that had gained some degree of convergence. Africa's development needs and concerns related to enhanced technical assistance, food security, rural development, livelihood concerns, preferences, commodities and net food import should be taken into account in the negotiations. African countries had shown significant flexibility and pragmatism, and that their partners needed to do the same. Africa's liberalization efforts should be factored into the negotiations.

147. The representative of the **Philippines**, speaking on behalf of the **Asian Group and China**, said that the Board's debate came at an important time, and UNCTAD's broad mandate was particularly significant in the context of the twin challenges of advancing the development agenda while ensuring that the development aspect was fully and meaningfully

integrated into the ongoing WTO negotiations. The July Package had been a step in the right direction, but much needed to be done in terms of tangible results.

148. Trade should not be an end in itself but a means towards development and poverty reduction. Progress in the multilateral trading system (MTS) should therefore be inextricably linked to progress in the accomplishment of internationally agreed development goals, including the MDGs. Developing countries should have the necessary policy space to apply policy instruments in implementation of their development goals, but this was not meant to imply that developing countries intended to use policy space as a means to evade commitments they had undertaken. On the contrary, developing countries had repeatedly emphasized, for example, their commitment to enhanced governance, but corresponding action from the international community to operationalize the commitment to a conducive and nurturing international environment was lacking.

149. It was important to ensure coherence between national development objectives of developing countries and objectives in bilateral, regional and multilateral trade negotiations, as well to ensure that SDT provisions were not eroded in the pursuit of other initiatives. Capacity constraints on the part of developing countries sometimes led to less than full coherence between multilateral, regional and bilateral negotiations. UNCTAD's policy work in this area was a useful tool in addressing this issue. The principle of special and differential treatment must be operationalized, as must the principle of less than full reciprocity. In that connection, the Asian Group appreciated the secretariat's observation that the concept of S&D should be recognized as a dynamic instrument for "catching up" in terms of trade and development and beneficial integration into the international trading system.

150. With regard to the DDA negotiations, NAMA, agriculture, services, and trade facilitation were the core concerns of his Group in terms of both offensive and defensive interests. In agriculture and NAMA particularly, the importance of a formula and an approach that would result in a fair and equitable outcome was reiterated. Special attention would also have to be paid to special products and the Special Safeguards Mechanism. A credible end-date for the elimination of export subsidies would also be crucial for the successful outcome of the negotiations. On services, many developing countries had undertaken liberalization in this sector commensurate with their level of development and infrastructure, but there was a need for meaningful commitments in market access by developed country partners in sectors of export interest to developing countries, including construction, tourism, ICT and computer-related services, and a number of professional services. The asymmetries resulting from the Uruguay Round in terms of commitments on mode 4 should be corrected. Commercially meaningful commitments in this round of negotiations would be a litmus test for the development content of the DWP.

151. With respect to trade facilitation, a large number of initial proposals had been tabled, but the modalities agreed upon in the July Package must be fully respected, especially as regards provision of investment funds and adjustment support to developing countries to meet the costs of implementing any obligations. On textiles, the post-ATC era could result in serious impacts for some countries, and post-adjustment assistance would be required. On GSP, schemes benefited developing countries, including LDCs, but multilateral liberalization remained the preferred option. Sixty-one per cent of LDC exports to the Quad countries faced MFN tariffs due to exclusion from preferential schemes, inability to qualify for preferential treatment or the complexity of schemes. The GSP-providing countries should consider

remedial actions, while not imposing bilateral conditionalities that could be counterproductive.

152. The representative of **Mexico**, speaking on behalf of the **Latin American and Caribbean Group**, underlined the importance of the Board as a forum for fruitful discussions among members in search of the necessary consensus to support negotiations on the DWP in the lead-up to the WTO Ministerial Meeting in Hong Kong, as well as for assessing the results of the Summit on the MDGs. He emphasized the attachment of his Group to the São Paulo Consensus and to an open, non-discriminatory and predictable international trading system supportive of economic growth and development and poverty alleviation.

153. His Group was convinced that it was possible to complete the Doha negotiations successfully before the end of 2006. It called upon its trading partners to put the development goals of developing countries at the heart of the negotiations and to undertake the necessary commitments to that end. Successful negotiations on agriculture and tangible advances in respect of the three main pillars were of primary importance, namely: substantial improvements in market access, reduction and progressive dismantling of all types of subsidies for exports, and substantial reductions in domestic support measures along the lines of the July Package. On industrial goods, all tariff lines should be bound, and the non-linear formula would allow tariff reductions on a line-by-line basis and thus give developing countries more flexibility. His Group could not accept a mandatory sectoral approach. Substantial improvements in respect of services offers and modes of supply, in particular mode 4, would be crucial for the outcome of the DWP.

154. His Group acknowledged the key role played by UNCTAD and recognized the crucial importance of technical assistance and advisory and training programmes in upgrading the negotiating skills of developing countries. It appreciated donors' financial contributions to UNCTAD technical assistance projects.

155. The representative of the **United States of America** welcomed the Board's discussion of progress in the WTO on the Doha Development Agenda. Recent analysis by UNCTAD and the WTO had made it clear that serious efforts were under way in all areas of the negotiations to ensure a focus on the development dimension and on ways to open up real opportunities for all Members. There was an overall need to accelerate the pace of the negotiations. The term 'development round' could mean different things to different people. There were no one-size-fits-all magic solutions, but only solutions to be negotiated between developed and developing countries and between developing countries.

156. Virtually all delegations believed that the round's greatest potential development benefits would come from achieving new market access in both developed and developing country markets for products and services of export interest to developing countries. While S&D treatment and less-than-full reciprocity were important, they also had costs in terms of market access. Significant benefits could not be achieved by opting out of WTO rules. Developing countries were increasingly looking at their offensive rather than defensive interests. Getting the balance right between benefits and flexibilities in agriculture, NAMA and services was essential, as it was the only way to achieve the true development potential of the round. This would require intensive negotiations, but there were clear indications that the negotiating skills of developing countries had increased substantially, and all members were fully engaged. Trade facilitation was an excellent example of an area where both developed and developing countries were preparing and co-sponsoring proposals on key

issues, and a win-win outcome was possible. Work on S&D treatment issues had intensified, focusing on the proposals by the LDC Group, and work on African Group proposals was also under way. The issue of preference erosion needed to be considered, whether in the WTO or in another multilateral institution. In that connection, the recent meetings of the World Bank and the IMF on the Aid for Trade initiative was strongly supported by her country. Finally, she emphasized the United States' commitment to continuing its trade-related technical assistance.

157. The representative of **India** said that among developing countries there was a growing sense of a development deficit in the ongoing Doha negotiations. With only a few weeks to go before the sixth WTO Ministerial Conference, it was time to correct the cynicism that had infused the negotiations so that the outcome at Hong Kong was meaningful in terms of development. He referred to several statements by the Director-General of the WTO on the role of trade as an engine of development, on the fact that UNCTAD and WTO were on the same wavelength, and on the opportunity that Hong Kong represented for achieving a more development-oriented MTS. All of these statements were positive signs; however, the development outcomes were scattered across various negotiating areas, and unfortunately the current process did not provide for holistic assessment or monitoring of the progress made in realizing the development dimension of the round. He suggested that in the run-up to the Hong Kong meeting, cross-sectoral discussions were necessary. For the negotiations to be truly to the developmental benefit of developing countries, these countries should get effective market access to developed-country markets in agriculture, NAMA and services, especially for Mode 4, while market access obligations for developing countries should allow for sufficient flexibility and policy space. Concrete progress at Hong Kong was also needed in the following areas: an SDT package for developing countries, duty-free and quota-free access to developed-country markets for LDC exports, and agreements on TRIPS and the public health amendment and on CBD-TRIPS (i.e. agreement on a mandate for negotiations on the issues of disclosure, prior informed consent and equitable benefit sharing).

158. The representative of **Argentina** stressed the importance of the outcome of the DWP in opening concrete opportunities for developing countries, avoiding marginalization and ensuring full integration into the MTS. The negotiating attitude and position of developing countries regarding the various areas of Doha negotiations should not be interpreted as simplistic defensive or offensive approaches. In fact, the interests of developing countries were much more complex, involving both defensive and offensive agendas that coalesced into a wider development agenda. Many externalities could influence the outcome of the negotiations, such as delays in reforming the IMF, technology developments, safety and security issues, macro-policy settings and economic cycles in developed countries.

159. The representative of **Mauritius**, speaking on behalf of the **African, Caribbean and Pacific Group of States** (ACP), said that the current session of the Board was an opportunity to reflect on the state of the Doha negotiations and attempt a first audit of development issues, consistent with UNCTAD's role as the UN focal point for the integrated treatment of trade and development. The vision and expectations of the ACP countries in the coming round remained the same: a clear development outcome that would allow their small and vulnerable economies to integrate into the global economy in a harmonious and fair manner and in realization of the MDGs. To ensure a successful development outcome for the Hong Kong (China) Ministerial Meeting, it was important that action be taken to ensure that the perspectives, focus and direction of the negotiations were re-centred on development.

160. Furthermore, the modalities to be considered in the different sectoral negotiations should contain specific provisions to respond to ACP countries' development concerns and provide the required policy space and flexibility to ensure real and effective SDT. Another issue of concern was the negotiating process; it was disturbing to see major decisions and negotiations taking place outside Geneva in mini-ministerial meetings where the majority of members were not represented. The legitimacy of the WTO depended on the political ownership of, and participation in, the process by all.

161. Agriculture played a vital role in the economies of the ACP countries. In this respect, ACP concerns included the following issues: longstanding preferences, special products, a tariff reduction formula with the necessary flexibility, the designation of products traded under longstanding preferences as sensitive products, the SSM, duty-free and quota-free access for LDCs, issues relating to food security, food aid, SDT in respect of STEs and export credits, and implementation of the Marrakech Decision on the net-food-importing developing countries (NFIDCs). The ACP Group expected a balanced package that took into account the interests and concerns of all, and in particular those of small, weak and vulnerable countries.

162. With regard to cotton, it was necessary to achieve a successful negotiating outcome. He stressed the need to eliminate all forms of export subsidies, as well as domestic support measures, and to improve market access, including bound duty-free and quota-free access for cotton and other products. The creation of an emergency support fund for cotton was important. With regard to NAMA, the Group continued to be preoccupied with the formula, treatment of unbound tariffs, preference erosion and flexibilities. For the Group, less than full reciprocity and SDT were integral and cross-cutting components of the Doha mandate. A balanced package could be reached only if preferences were addressed as an integral part of NAMA negotiations. Flexibilities in binding coverage commensurate with the ACP countries' development levels should be accorded to these countries.

163. In services negotiations, the offers submitted thus far failed to address the asymmetries in the Uruguay Round commitments in which sectors and modes of supply of export interest to ACP countries were least liberalized. The Group requested substantial improvement in market access in modes and sectors of export interest to ACP countries. In the case of mode 4, there was a need to ensure a meaningful outcome for the ACP countries, particularly in important sectors such as tourism, professional services and construction. The ACP Group sought the intensification of work in the rule-making area so as to restore balance between market access and rule making. The proposal on "complementary approaches" was objectionable, as these threatened existing GATS guidelines and procedures and were contrary to Articles IV and XIX of the GATS. On development issues, the Group reiterated that development lay at the heart of the DWP. Given the critical importance of development to ACP countries, the Group was concerned regarding the lack of progress on these issues, which were key components for successful achievement of the development objectives, which in turn lay at the heart of the Doha round. The Group attached particular importance to the situation of LDCs and stressed the need for LDCs to receive priority attention to facilitate their meaningful integration into the MTS.

164. The substantial outcome of the Hong Kong meeting should be consistent with the ACP Group's development objectives if the modalities to be agreed on addressed the issues critical to them. Finally, he expressed appreciation for the secretariat's background documentation and the technical assistance that the secretariat provided to member States.

165. The representative of the **Republic of Korea** said that a strengthened MTS was essential to bring about greater benefits for both developed and developing countries and that all countries therefore had a significant stake in a successful DDA. However, things had not progressed as expected since July, and the Hong Kong WTO Ministerial Meeting represented a crucial opportunity to promote the success of the round. All participants should redouble their efforts now. With regard to agriculture, which was one of the most important areas of the negotiations in ensuring a pro-development outcome, his country had been undertaking an ambitious restructuring process at home; Members must refrain from extreme demands in the WTO so as to achieve a balance of interests between importing and exporting countries. On NAMA, developing countries stood to gain more from progress in this area because of their trade amongst themselves. He expressed concern over the slow progress in the services negotiations and the unsatisfactory quality of offers. To infuse momentum into these negotiations, his country had proposed a complementary approach, seeking a quantitative multilateral target for the liberalization of services, in the hope that it would help Members make new commitments. A meaningful outcome in respect of rules would also be crucial for success. The greatest achievement of the round would be a balanced outcome, and a collective positive sum game would be the most constructive approach. S&D and the development perspective should be included in the negotiations across the board, but they should not be confused with the proliferation of exceptions, which led to distortions. UNCTAD should pursue its consensus-building, policy analysis and capacity-building assistance.

166. The representative of **Benin**, speaking on behalf of the **least developed countries**, said that a successful outcome to the negotiations involving important development initiatives would contribute to development, poverty reduction and the attainment of the MDGs. The failure of the Cancún negotiations had been partly due to a lack of dialogue between developed and developing countries, which had led to a wrong perception of developing countries' interests. In this regard, ways and strategies for developing countries to take advantage of the rapid growth of world trade should be looked for, and special attention should be devoted to special and differential treatment in sectors of importance to developing countries, such as agriculture and NAMA.

167. A multilateral forum remained the ideal framework for developing countries, since it allowed for transparency and non-discrimination. At the same time, regionalism constituted a testing ground for exchanges and taught about negotiating and trade rules and practices. It would therefore be important to ensure that regionalism and multilateralism were not incompatible.

168. Removal of domestic support and reduction of export subsidies in agriculture remained priorities. The July Framework, by defining guidelines for the modalities of future negotiations, had given a fresh start to the Doha process. In order to achieve the Millennium Development Goals of reducing poverty and promoting development, all markets should be opened to all products originating from LDCs, and special funds should be set up for micro-credit and micro-projects in order to diversify LDCs' production.

169. Trade and development policies must be coherent, and rules and principles governing international trade should be enhanced to facilitate market access and eliminate production support and export subsidies for products where LDCs had a comparative advantage. Flexible rules, principles and mechanisms should be implemented to take into account the specific situation and needs of developing countries, and in particular LDCs, whose economies

suffered from constraints and handicaps. Efforts should target the development of productive capacity, supply capacity and diversification of exports. Technical assistance should be granted to developing countries, and LDCs in particular, to achieve these objectives, including through the strengthening of the Integrated Framework (IF). LDCs also called on donors to increase their technical and financial support for UNCTAD's technical assistance programmes for LDCs.

170. The representative of **Cuba** complimented UNCTAD for its background document (TD/B/52/8) and reiterated his country's commitment to working towards ensuring a successful DWP. The results of the negotiations needed to take into account the legitimate aspirations of developing countries. A balanced outcome should be sought, giving priority to development concerns and issues related to SDT and implementation. In this regard, issues important to Cuba included a prompt solution to the issue of TRIPS and public health, addressing the concerns of small economies, dealing with the relationship between trade, debt and finance, and addressing the issue of trade and transfer of technology. An open MTS was not sufficient to assure gains from trade to developing countries and address the issue of marginalization of many countries from international trade. Open trade could not be the sole objective of the negotiations, as was demonstrated by the relationship between export growth and income growth in many countries. Foreign debt kept on growing even though developing countries had allocated enormous resources for its payment. Trade could not be undertaken at the expense of industrial development, and a shift from rhetoric to action was needed in order to ensure policy space for developing countries to confront poverty. South-South cooperation could complement North-South cooperation but not replace it. He highlighted the role of UNCTAD as focal point of the UN system for issues of trade and development and requested that UNCTAD continue to play its historical role in this area.

171. The representative of the **Third World Network** highlighted the fundamental relationship between trade policies and trade rules. Trade policies must be formulated so as to promote development, and trade rules must allow for this. When discussing liberalization, countries often thought of the expanded export opportunities that could be achieved; however, it was crucial to also consider the impact of liberalization on the importing sector. This impact was often damaging and devastating, as had been shown in studies by various academics and NGOs, for agricultural but also industrial products. The development deficit in the Doha work programme was more evident than the development dimension.

172. The representative of **Canada** recognized the complexity of UNCTAD's work and emphasized the need for UNCTAD to focus on its area of expertise – trade and development – and to contribute in a balanced and measured way to deliver value-added results. To achieve this, it was necessary to maximize internal coherence by ensuring that individual programmes were integrated in a mutually reinforcing manner. He reiterated Canada's commitment to an ambitious outcome for the Doha round and expressed his country's belief that the potential of trade as a development tool lay in realizing fundamental reform of world agricultural trade, significant market access improvements for goods and services, and binding rules for trade facilitation. Opening markets and levelling the playing fields did not automatically lead to sustainable development and poverty reduction. Thus, the global community had a shared responsibility to understand the individual concerns and unique vulnerabilities of developing and least developed countries. UNCTAD could make a valuable contribution to help identify feasible options to address trade-related development challenges. Furthermore, UNCTAD could take a forward-looking approach and start considering post-Hong Kong or post-Doha negotiations strategies for developing countries to adapt to a

changing global environment. Aid for trade would be a critical part of the solution to address the supply-side constraints and infrastructural inadequacies of most countries, which would then allow them to fully take advantage of the opportunities that market opening brings. He reiterated Canada's commitment to transparency and the importance for UNCTAD's work of expanding dialogue with NGOs and the private sector.

173. The representative of **Japan** pointed out that the development focus in the Doha round was particularly important in maintaining the faith of the majority of countries in free trade and the MTS. The risk involved in failing to do would be the increased orientation by many countries towards free trade agreements. Thus, developing countries' interests needed to be taken into account as much as possible. He stressed the importance of aid for trade. Japan had pledged to double its assistance to Africa in three years and to increase the amount of ODA to sub-Saharan Africa by US\$10 billion over the next five years. Second, action was needed in areas where it was feasible. Japan was ready to discuss the proposals by LDCs and the African Group on SDT. Third, while differentiation of developing countries was not acceptable to them, those developing countries that could contribute more were not prohibited from doing so. It was commendable that some developing countries had assumed responsibility by engaging in the GSTP negotiations aimed at enhancing South-South trade. Regarding the Hong Kong meeting, tangible results were required in the area of development, and his delegation was ready to discuss items of interest to developing countries in agriculture and flexibility for developing countries under NAMA and in services and trade facilitation. Japan would continue to consider the provision of assistance on cotton upon request. Closer cooperation between the WTO and UNCTAD was indispensable for the success of the Doha round. He called on UNCTAD to further strengthen its activities under the three pillars of its work as the focal point for trade and development in the UN system.

174. The representative of **Jordan** thanked UNCTAD for its contribution to the Arab Ministerial Conference on the WTO, which had been held in Amman from 26 to 28 September 2005 in preparation for the Hong Kong meeting. As its main goal, the conference had sought to develop a common position among Arab countries at the WTO, as was outlined in the Amman Declaration adopted at the conference. Among other issues, the declaration stressed the importance of putting the interests and concerns of developing countries, and in particular LDCs, at the centre of the WTO process, including the Hong Kong meeting, which should live up to the development goals established at the international level within the global partnership for development. Developing countries, including Arab ones, attached priority to advancing in the negotiations on agriculture, in particular with respect to elimination of subsidies, treatment of sensitive products, and adoption of the formula proposed by the G-20. In the area of NAMA, progress in eliminating trade barriers must be achieved. Arab developing countries looked forward to a positive response by developed WTO members to their requests made in the negotiations on trade in services, namely in the area of market access for Mode 4. Work on GATS rules should also be expedited in line with their corresponding mandates. Development concerns were the main issues of interest to the Arab world, and this should be reflected in all ongoing negotiations and in providing for SDT to these countries. WTO members should also acknowledge the liberalization achieved by Arab developing countries and grant corresponding flexibility. Further support from development partners was necessary in providing assistance for mitigating costs associated with trade reform and liberalization, as well as for building the trade competitiveness of Arab developing countries. WTO members should take steps to facilitate the WTO accession process and should support Palestine's request for observer status in the WTO.

175. The representative of **Azerbaijan** stressed the central role of trade as an engine for growth, development and poverty eradication. At the same time, smooth integration of developing economies into the MTS had yet to be achieved. Azerbaijan, as a country acceding to the WTO, noted the serious difficulties and challenges that other countries had faced in the recent WTO accession in meeting their obligations. Lack of territorial access to the sea, remoteness from world markets and higher transaction costs hampered the competitiveness of landlocked developing countries. The economy's dependence on one sector, poverty and unemployment, and the presence of a million refugees were particular factors impeding the further economic growth of Azerbaijan. The Doha round should reflect the particular needs of landlocked developing countries as outlined in the Asunción Platform adopted by the trade ministers of the landlocked developing countries in Paraguay. Taking into account the calls to support small and vulnerable economies in the Doha Ministerial Declaration and UNCTAD XI's São Paulo Consensus, which recognized landlocked developing countries as small and vulnerable states, it would be timely to bring landlocked developing countries into the WTO Work Programme for Small Economies. In addition, support and facilitation of WTO accession for 9 out of 31 landlocked developing countries that were not members of the WTO and, in principle, application of SDT to all acceding landlocked countries would need to be reflected in the final document of the Hong Kong meeting and in the final decision of the Doha round.

176. In his second intervention, the representative of Azerbaijan thanked the UNCTAD secretariat for its background document on post-Doha developments. He stressed the high quality of the technical assistance provided by UNCTAD to countries in the process of accession to the WTO and said that Azerbaijan counted on continuing support from UNCTAD on accession issues.

177. The representative of **South Africa** said that there would be clear quantitative gains for all countries from a successful conclusion of the Doha negotiations, and that 70 per cent of the development content of the round would come from successful outcomes in agriculture, NAMA and services. He appreciated the recognition of the need for developing countries to safeguard some policy space in the process of liberalization. He emphasized the need for a clear delineation between SDT and asymmetries in the levels of commitments by countries, pointing out that the former should be understood in and of itself and that developed countries should benefit from it equally, irrespective of their levels of commitments. He raised some issues regarding developing- and developed-country constituencies and how countries had dealt with them. Developed countries should learn from and follow the example of developing countries which had taken their constituencies on board and not allowed the negotiations to be delayed on their account.

178. The representative of **China** expressed concern regarding the slow pace of the Doha round. There was a need to sustain strong momentum, and China was willing to join others in promoting the negotiating process towards a successful sixth WTO Ministerial Conference and a fruitful conclusion of the Doha round in 2006. As the UN focal point for trade and development, UNCTAD should make a positive contribution to this process through the three pillars of its work. The future of the MTS would be undermined if it did not meet the needs of developing countries. In the negotiations, full consideration should be given to the level of development and the assimilation capacity of developing countries. SDT was important in enabling developing countries to adopt development strategies that suited their national conditions. While development ran through all areas of negotiations, new categories of developing countries should not be created. Negotiations on agriculture should result in

substantive reduction of trade-distorting domestic support and establish an end date for the elimination of export subsidies. Formulas for tariff cutting under NAMA should be determined expeditiously so as to drastically reduce tariff peaks and tariff escalations, with adequate SDT made available to developing countries. Priority needed to be given to the opening up of service sectors of export interest to developing countries, including in Mode 4, while existing flexibility under GATS should be respected, with the characteristics of new members taken into account. Trade facilitation was also important. Customs procedures should be simplified to improve efficiency. There was a need to increase support to developing countries and LDCs in the form of technical and financial assistance and capacity building. The abusive use of anti-dumping measures was a matter of concern to his delegation. Negotiations on WTO rules should thus embark on text-based discussions to clarify and improve the relevant WTO Agreements. Full consideration should be given to the concerns of newly acceded countries as recognized in the “July package”.

179. The representative of **Indonesia** said that the successful conclusion of the Doha development agenda was about ensuring adequate development gains for developing countries. International trade was not an end in itself but a means to achieving economic development objectives, including poverty reduction. Developed countries could contribute by providing greater market access and reducing agriculture subsidies that had hindered developing countries' exports. South-South trade could play a complementary role to North-South trade and could be strengthened through regional trade partnerships. Economic development also required allowing policy space and flexibility in trade liberalization so as to enable developing countries to achieve their development objectives at a pace consistent with their levels of development. While some developing countries had benefited from a more liberalized trading system, as was suggested by the 2005 *Trade and Development Report*, other developing countries had been further marginalized owing to their supply-side and capacity constraints. Trade liberalization, if not properly managed, could affect food security and rural development. In its work programme, UNCTAD should consider the “aid for trade” initiative and the linkages between market access, supply capacity, competitiveness, policy flexibility and SDT. Among the results of the Doha round should be (regarding agriculture) special products and special safeguard mechanisms, and (regarding NAMA) substantial reduction or elimination of developed countries' barriers to developing countries' exports. With regard to services, there had to be a balanced result between market access and rule negotiations, and developing countries should not be pushed to open up their services sector further. UNCTAD's research and policy analysis work would be vital in enabling developing countries to formulate their positions and negotiating strategies, including on trigger mechanisms for the application of special safeguard mechanisms, NTB and NAMA, so as to derive greater benefits from trade liberalization.

180. The representative of **Ethiopia** expressed appreciation for the training that UNCTAD had provided to the Ethiopian negotiating team, and also to development partners for enabling UNCTAD to provide the requisite support. The issue of WTO accession appeared to have been pushed to the back burner, probably as a result of members' preoccupation with the Doha development agenda negotiations. Countries aspiring to join the WTO desired to do so because of the benefits to be derived from membership, including securing predictable, transparent market access, creating investor confidence to promote FDI flows, and participating in the rule-making process. In spite of the benefits of membership, the price to be paid for joining the global body was enormous, especially for LDCs, which faced severe constraints in terms of human, administrative and institutional capacities vis-à-vis the challenging process of WTO accession. Continued support was needed from the international

community in a range of areas, including the provision of intensive training to the negotiating team, continuous sensitization of stakeholders, financing of participation at the working party meetings, conducting sectoral studies and supporting implementation of negotiated outcomes.

181. The representative of **Bolivia** stressed her country's commitment to successful completion of the DWP. She underlined the importance of having agriculture and SDT reflected in concrete results such as full liberalization of tropical products, in particular all products covered by the drug eradication programme; tariff reductions compatible with the supply capacity of small economies; and full respect for negotiating guidelines and substantive commitments from trading partners, in particular regarding Mode 4. As a small economy, Bolivia expected the outcome of the DWP to adequately address the situation of small economies in areas related to NAMA and trade facilitation. She stressed the crucial importance of UNCTAD for technical assistance and thanked donors for their contribution to implementing projects in developing countries.

182. The representative of **Ghana** expressed appreciation for the opportunity afforded by the Board to deliberate on post-Doha developments and for UNCTAD's assistance to developing countries. Trade was important in the development strategies of African countries, hence their support for the DWP. The role of trade in Africa's development, combined with debt relief and appropriate aid, had been highlighted at the 2005 World Summit and the G8 meeting as well as in the UN Millennium Project report and the Blair Commission report. Yet UNCTAD studies indicated that Africa had not benefited significantly from the tremendous expansion in world trade in the last 20 years, with its total share in world trade now accounting for about 2 per cent as compared to 4 per cent in the 1960s. In spite of this, African countries had undertaken meaningful, sometimes painful reforms towards liberalization of their economies to benefit from globalization. The launch at Doha in 2001 of a round of negotiations devoted to development had raised enormous expectations. Africa's interests in the negotiations in the lead-up to the sixth WTO Ministerial Conference had been clarified. On agriculture, salient goals included the following: a credible end date for the elimination of export subsidies; exemption of African countries from reductions in domestic support; improved market access for Africa's agricultural products; and continuation of SDT for African countries. It was essential to arrive at an agreement for predictable duty-free, quota-free access for cotton and its by-products and the creation of an emergency fund for cotton production. For NAMA, a development-oriented tariff reduction formula suited to developing countries and their ability to offer and sustain concessions was needed. Preferences were important to Africa, and solutions to the issue of preference erosion should be found within the WTO negotiations. Regarding services, many countries faced difficulties in submitting requests and offers owing to lack of capacity. Agreement on Mode 4 was important. Ghana objected to the recent proposal on "complementary approaches" as it threatened the existing GATS structure. As for trade facilitation, negotiations should lead to SDT provisions that were precise, effective and operational. Capacity building in trade facilitation was of critical importance. Regarding WTO rules, it was necessary to avoid the introduction of more complex disciplines while increasing flexibility for developing countries. Development should be placed at the core of the Doha negotiations, including in SDT, commodity issues, technical assistance, capacity building and technology transfer, the special situation of LDCs and small economies, and trade, debt and finance. He highlighted the importance of institutional coherence between WTO and the Bretton Woods institutions, which should also be reflected in obligations and policy advice to developing countries. The swift and successful conclusion of the Doha round would strengthen the MTS and lay the foundations for the next wave of global economic expansion.

183. The representative of the **Russian Federation** expressed appreciation for the timely and important opportunity afforded by the Board to deliberate on post-Doha developments and for UNCTAD's assistance to his country. The Russian Federation was interested in the outcomes of the negotiations on agriculture, rules and NAMA because about one third of its GNP and more than half of its economic growth were generated through foreign trade. For the Russian Federation, an evolutionary (instead of a revolutionary) approach to liberalization of international trade by gradual removal of trade barriers and rejection of protectionism was the more comprehensible. Recently acceded small, low-income transition economies faced huge difficulties in implementing economic and trade policy reforms owing to a very high level of commitments as part of their terms of accession. He called for non-discriminatory accession to WTO taking into account countries' development as well as commitments undertaken by WTO members. It was important for UNCTAD to continue its technical assistance on accession issues. He hoped the outcome of the Hong Kong meeting would be in the spirit of the Doha Declaration and the São Paulo Consensus. The full-fledged participation of the Russian Federation in elaboration of ministerial decisions would be of interest to all WTO members. Finally, cooperation between UNCTAD and the WTO should be strengthened.

184. The representative of **Djibouti** expressed appreciation for UNCTAD's support to LDCs in their efforts to integrate beneficially into the international trading system. LDCs remained among the countries most marginalized from the system, and without an enabling environment in the form of supportive trade rules complemented by technical assistance and capacity-building efforts, LDCs might lose rather than gain from the Doha negotiations. This was particularly relevant in view of the lack of productive capacity in most LDCs to take advantage of new trade opportunities. Such losses could be aggravated by the erosion of preferences. So, while the Doha negotiations progressed, equal focus was needed on additional development-related support in terms of technical assistance and capacity-building efforts to enable LDCs to adjust and develop competitive productive structures to participate gainfully in international trade. In the light of this challenge, there was a need to reinforce technical assistance for LDCs such as that provided by UNCTAD in trade and trade negotiations. He expressed appreciation to donors who had contributed support to UNCTAD's technical assistance activities in favour of LDCs' engagement in the Doha negotiations, and he requested that they increase such support in view of the demands of LDCs.

185. The representative of **Mauritania** expressed appreciation for the opportunity provided by the Board to deliberate on post-Doha developments in areas of concern and interest to developing countries and LDCs. He welcomed the secretariat's background documentation, which provided a guide to the negotiations in general and in specific areas, including those relevant to African countries and LDCs. He stressed the importance of the Doha round for developing countries. He pointed out the vulnerability of the African continent and LDCs in general in the international trading system. The results of the negotiations should reflect the difficulties of developing countries on the supply side and take into account the level of the economy of each country, since most of these countries had no products to trade. He also stressed the problem of debt. While the Washington Decision after the G8 meeting represented an important step, debt remained an acute problem for most developing countries. He concluded by highlighting the importance of having development issues taken into account in all areas of the negotiations.

186. The representative of **Belarus** said that Belarus had been closely following the new round of negotiations and agreed that the successful completion of the Doha negotiations would be a valuable contribution to world economic growth, poverty eradication and development. Belarus also agreed with the UN Secretary-General's observation at the sixtieth session of the General Assembly that the WTO accession process was related to problems for the acceding countries.

187. The representative of **Barbados** expressed appreciation for the secretariat's background documentation and thanked UNCTAD for its support, especially for its public exposure of developing countries' issues in the Doha round. He stressed the importance of the work programme on small economies, which were prevented by their size from taking advantage of world trade. In Doha, Ministers had acknowledged that small economies should be given special consideration and that the programme put in place should devise solutions to their problems without creating a new category of WTO Members. The programme had now started to focus on framing responses to these problems. Among the specific areas mentioned were preferential market access; transfer of technology and capacity; flexibilities for small economies to use subsidies; and lower tariff reduction commitments. The challenge would be to transform these ideas into concrete proposals. He hoped that Ministers would endorse the work programme at the Hong Kong meeting and that the WTO would give due attention to the proposals made.

188. The representative of **Zambia** said that LDCs were determined to contribute to the success of the Doha round. The round was about development and developing countries, especially LDCs. However, the interests of LDCs were not being given attention in the negotiations. Developed countries were not making progress in fulfilling their commitments to provide SDT to developing countries, especially LDCs. The objective of zero tariffs for all goods originating in LDCs remained elusive. LDCs' concerns had been elaborated in the many declarations of LDC Trade Ministers in Zanzibar (Tanzania), Dhaka (Bangladesh), Dakar (Senegal) and most recently Livingstone (Zambia). These included (a) immediate and predictable binding commitments in the WTO for duty-free market access in developed countries for all industrial and agricultural goods exported from LDCs, and from developing countries that were able to do so on a non-reciprocal basis; (b) elimination of subsidies to cotton farmers in developed countries and to cotton exports; (c) rules of origin that were flexible, non-trade-restrictive, simplified and LDC-friendly; (d) total elimination of non-tariff barriers; (e) flexibility for LDCs to undertake any binding of unbound tariffs on an autonomous and voluntary basis; (f) Mode 4 access that could help reduce unemployment in developing countries; (g) trade-related capacity building to improve agricultural productivity, infrastructure and facilities for compliance with SPS and various certification requirements; and (h) support to LDCs in addressing supply-side constraints and building technological capacity and physical infrastructure, including through enhanced resources provided by cooperating partners through the Integrated Framework. Furthermore, as was specified in the "July package", LDCs should not be required to undertake any tariff reduction commitments as in NAMA and should benefit from the principle of non-reciprocity and not be required to engage in trade-offs in the negotiations. This same principle in the MTS needed to be observed in the negotiations on economic partnership agreements between the European Union and the LDCs.

189. The representative of **Botswana** expressed disappointment that the "first approximation" checkpoint of July 2005 had not provided the expected results. Agriculture and NAMA remained unresolved, along with other issues of particular concern to developing

countries such as development, implementation issues, TRIPS, public health and cotton. He reaffirmed his country's commitment to a fair, transparent, equitable and rules-based MTS with development at its cornerstone. UNCTAD's research and capacity-building work and the implementation of the outcomes of UN conferences such as the Third UN Conference on the LDCs, the Monterrey Consensus on Financing for Development, the World Summit on Sustainable Development, and the World Summit on the Information Society would effectively assist developing countries in their preparations for the ongoing and any future multilateral negotiations and also their integration into the MTS. The workshops, advisory missions and other training events organized by UNCTAD had helped his country and other developing countries to better understand their specific interests and become effective players in the MTS.

190. The representative of the **Islamic Republic of Iran** highlighted the importance of the Doha negotiations, which could theoretically provide leverage for developing and least developed countries to better use trade as a tool to advance development goals. Given the close inter-linkage of these negotiations with global development objectives, any failure in the round could hinder the achievement of the MDGs. He outlined several reasons why a successful outcome of the Doha negotiations was significant: (a) such outcomes were supposed to enhance the participation of developing countries in international trade; (b) agriculture, which played an important role in developing-country economies, had a pivotal role in the negotiations; (c) SDT in concessions and commitments was an integral part of all elements of the negotiations; and (d) there would be gains (broad and specific) for both developed- and developing-country economies. He stressed that a deadlock in the Doha round could lead to open discussions on reform of the WTO and the MTS. A successful round, on the other hand, would open the door to broader, more ambitious goals towards prosperity and stability.

191. The representative of **Senegal** underlined UNCTAD's crucial role in support of developing countries' trade and development. He stressed the difficulties faced by developing countries in competition and in protecting their domestic markets. The CAP reform had had a great impact on the price of cereals and imported chicken, forcing many poultry farms in Senegal to close and reducing employment, as in other West African countries. Current NAMA and agriculture negotiations should therefore bring results taking into account safeguard measures, SDT and flexibility in the rules and procedures. Developing countries should also have defensive preoccupations to consolidate domestic markets through support or protection of essential sectors. This would help their supply capacity and would allow LDCs to compete in developed countries' markets and strengthen South-South trade.

192. The representative of **Norway** stressed the complexity of the WTO negotiations, where interests diverged not only between developed and developing countries but also within the two country groups. Negotiations under the Doha round should take place in the WTO framework. The possible importance of the round for developing South-South trade had been especially emphasized. Norway would do its best to ensure an ambitious and balanced result in the Doha round. UNCTAD, together with other international organizations, should continue to provide trade-related development assistance and to support the Doha development agenda to achieve a positive outcome for developing countries, in particular LDCs and low-income countries.

193. The representative of **Sri Lanka** highlighted the importance of addressing high tariffs and tariff peaks applied by developed countries to key non-agricultural products of export

interest to his country, namely textiles and clothing, in the light of the relatively high average tariffs remaining in the sector and the increased erosion of non-discrimination principle of the WTO as enshrined in the MFN obligation. The proliferation of regional trade agreements and unilateral preferential schemes granted by major developed countries had resulted in MFN duties' becoming rather exceptional and indeed amounting to "least-favoured nation" treatment. Sri Lanka was affected by this phenomenon, since as much as 75 per cent of its exports were destined for developed-country markets, particularly textiles and clothing products, for which relatively higher average tariffs remained. In these markets, they faced competition from other developing countries that often enjoyed preferential duty-free treatment. There was thus a need to achieve a level playing field through the Doha negotiations by reducing and eliminating high tariffs, tariff peaks and non-tariff barriers for products of export interest to developing countries as provided for in the Doha mandate on NAMA negotiations. Some other items of the Doha work programme, while not part of the single undertaking, were equally important to Sri Lanka, particularly the work programme on small economies. Progress here had been unsatisfactory, given that these countries faced unique trade and developmental challenges arising from their smallness. The area needed to be adequately addressed as part of the outcome of the Hong Kong meeting.

194. The representative of **Zimbabwe** stressed UNCTAD's crucial role in support of developing countries' trade and development through the three pillars of its work, and specifically for Zimbabwe in its preparations for the Hong Kong meeting. The Doha negotiations offered the promise, which must be realized by all, of enhanced market access, a more level playing field in international trade, and improved quality of life. The results of the Doha round should adequately reflect the concerns of developing countries. However, so far, sufficient progress had not been attained for a successful conclusion of the negotiations on schedule. Most delegations had genuine fears and concerns. The background document revealed the difficulties encountered in the post-Doha negotiations in agriculture, NAMA, services, trade facilitation and development issues. The outcome of the Doha negotiations should avoid adversely affecting the livelihoods of the poor and vulnerable; achieve enhanced and predictable market access for developing countries' goods and services in developed markets; compensate for preference erosion through adequate safeguard measures; ensure that developing countries' exports were not subjected to protectionist standards and rules of origins; and grant developing countries the requisite policy space. In recognition of these concerns, negotiating partners needed to seek to extend adequate transitory adjustment support measures to cushion developing countries from anticipated trade shocks. Aid for trade, in addition to aid for development, should assist developing countries in developing supply capacities, competitiveness and development-oriented infrastructure. In this regard, UNCTAD played a complementary role in relation to the DWP, and any efforts to dilute this clear and unambiguous mandate were unacceptable.

195. The representative of **Mexico** said that the Board's discussion was taking place at a very opportune moment, as negotiations must achieve effective results in all the main areas of the DWP in order to assure that an open MTS contributed to development and the fight against poverty. The result of the Doha development agenda should incorporate the development dimension, and the best way of achieving this objective was for development concerns to be incorporated into all the issues under negotiation. It was important to achieve a balanced result on the three pillars of agriculture negotiations. Mexico preferred a Swiss-type formula for NAMA, with binding of all tariff lines, and developing countries should not be forced to participate in any sectoral initiative. Regarding services, there was a need to present improved offers, in particular for Mode 4, and to move forward in rules negotiations, in

particular regarding domestic regulation. All of the above would be meaningful only to the extent that the results of the DWP contributed to enhancing the participation of developing countries in international trade. UNCTAD made a positive contribution through the development of capacities in developing countries through its technical assistance activities.

196. The representative of **Sudan** thanked UNCTAD for its assistance to the LDCs in enhancing their awareness of the rule-based MTS and the challenges it imposed, and in particular for assistance to Sudan in its WTO accession negotiations. To be able to effectively integrate into the multilateral regime, Sudan needed and expected further technical cooperation and capacity-building support to bolster the country's efforts in the accession process and beyond. Many initiatives had been agreed on by WTO members to facilitate and accelerate LDCs' accession to the WTO. However, LDCs continued to see their accession efforts undermined by required commitments that often were not commensurate with the countries' level of economic development. To meet the challenges imposed by the WTO accession process, Sudan required UNCTAD's assistance in building trade capacity. Thus, Sudan expected that the international community would continue to provide the necessary support to UNCTAD's technical assistance and capacity-building activities related to LDCs' accessions. Negotiators at the Hong Kong meeting should give the problems imposed by accession the priority they deserved.

197. The representative of **El Salvador** said that the current exchange of views was timely, relevant and very constructive in the perspective of assuring a balanced outcome for the DWP. For a small economy like El Salvador, a positive outcome and the impact resulting from the DWP should focus on concrete provisions and effective implementation of SDT to bring create sustainable and effective market access for El Salvador's exports of goods and services, in particular with respect to Mode 4. At the same time, such an outcome should result in flexibility and policy space to manage and overcome structural vulnerabilities. To this end, El Salvador's trading partners should undertake substantive commitments to make effective expected benefits to LDCs and small economies. UNCTAD had made a positive contribution to upgrading the analytical and negotiating capacities of developing countries. Pursuant to the recommendation of this session of the Board, the Secretary-General of UNCTAD should approach UNDP to request funding for technical assistance by UNCTAD to upgrade the negotiating capacities of small Latin American and Caribbean economies.

198. The representative of **Afghanistan** noted the high-quality analysis in the background document. The UNCTAD document "Towards a New Trade 'Marshall Plan' for LDCs" (UNCTAD/DITC/TAB/POV/2005/1) and the background document currently before the Board could serve as guides for successful negotiations at the Hong Kong meeting.

199. The representative of **Brazil** stressed the importance of reaching concrete agreements on the issues being discussed in the WTO in preparation for the Hong Kong meeting. The political will to remove long-standing trade barriers would be the most critical element in this respect.

200. Reviewing issues of the DWP of particular of interest to his country, he said that under the WTO, developing countries agreed to give up flexibility in their domestic agriculture policy in exchange for increased market access for products of interest to developing countries. In the long run, agriculture should be fully incorporated into the WTO rules and treated similarly to industrial goods. In the short run, he called for the elimination of export subsidies and establishment of a credible deadline for that, as well as reduction of

domestic support and serious market access barriers. The G-20 in its submission to the WTO had made detailed proposals regarding all areas of agriculture negotiations.

201. Referring to the five proposals made by the LDCs in the DWP concerning SDT, he noted that these proposals had been resisted by the countries that promoted further differentiation of developing countries as a panacea. The WTO Agreements were very specific in the areas of interest to developed countries such as TRIPS, but vague with respect to SDT. SDT provisions must be strengthened and made more precise, effective and operational. Also, little progress had been made on the question of the relation between TRIPs and biodiversity, as provided for in the Doha Declaration, and any positive solution depended on the willingness of developed countries. The negotiations on NAMA, trade in services, and rules needed to retain policy space for developing countries, and he thanked UNCTAD for its work in promoting public awareness of the relation between trade and development, as well as its ability to undertake independent analysis, especially as the WTO was still biased in favour of most advanced countries. He expressed disappointment that the “first approximation” checkpoint of July 2005 did not provide the expected results. However, he reaffirmed his country's commitment to a fair, transparent, equitable and rules-based MTS with development as its cornerstone.

202. The representative of **Jamaica** said the secretariat's background document was comprehensive and useful as it contained proposals on how to effectively address the development dimension in the current round and some of the essential elements of a realizable development package. Development gains from the MTS responded to fundamental trade concerns of developing countries, and trade negotiations needed to be placed in the broader context of a shared vision of the MDG. Jamaica shared the disappointment of other WTO Members that the objectives and deadlines established for the first approximation of the modalities that would form the basis for full modalities by the sixth WTO Ministerial Conference had not been met. Jamaica's minimum expectation in this negotiation was to obtain a concrete outcome on agricultural market access, NAMA, services, and rule making that took into account development concerns expressed by developing countries, including adequate adjustment periods, and allocation of resources to facilitate and smooth the transition to an even more liberalized environment. Services offers tabled to date by the most important trading partners were dissatisfactory because they did not provide commercially meaningful access in the sectors and sub-sectors of interest to developing countries. Jamaica was also concerned by the initiative of introducing benchmarks that could erode the built-in flexibility afforded to developing countries and the development-friendly nature of the GATS. On development issues, Jamaica therefore did not support the use of these methods in the negotiations. The treatment of small economies should be framed in the single undertaking from the DWP. She called for a successful, balanced and development-oriented outcome. This was a key objective of trade and was at the heart of the Doha mandate. Any evaluation of the development content of the Doha round must take into account SDT. Jamaica was disappointed that the negotiations aimed at making SDT provisions “more precise, effective and operational” had not progressed significantly in the round. Jamaica agreed with UNCTAD's view that a “meaningful outcome on SDT would constitute a direct contribution to the achievement of the MDG”.

203. The representative of **Kenya** said that the Doha development agenda had two sets of elements: those that involved negotiations, and those that did not. It was frequently the elements of the first set, in particular agriculture, that drew public attention. However, it was important to look at the broader perspective of the agenda, one that would offer something to

all WTO members. At the launch of the Doha development agenda in 2001, there had been particular emphasis on the word “development”. Ministers had sought to place the needs and interests of developing countries at the heart of the work programme, noting that developing countries formed the majority of WTO members. Following the important agreements reached in July 2004, the work had entered a new and rather crucial phase. The challenge now was to ensure that the Ministerial Conference provided a platform for the final phase of the agenda in 2006. The sheer size of the agenda for the conference was impressive, and the time left was short. Governments would have to confront the hard political choices needed for a successful outcome. Agriculture was the centrepiece of the negotiations, and without progress in this area, negotiations on the broader Doha agenda were unlikely to move ahead. Much progress had been made, but a common approach was needed for tackling some harder issues such as export competition, domestic support and market access. Efforts were being made to prepare for fruitful negotiations on services and NAMA. Progress in these areas depended on progress in agriculture. Positive outcomes regarding other issues such as trade facilitation and small economies could substantially affect the economies of many countries. On the issue of TRIPS and public health, the decision of August 2003 was legally binding, and the waivers in place were available to all WTO members. The Hong Kong meeting would play a pivotal role in determining the outcome of the Doha development agenda in 2006. The support of UNCTAD would be very important for the success of the agenda.

204. The representative of **Yemen** thanked UNCTAD for its assistance to the LDCs in enhancing their awareness of the rule-based MTS and the challenges that it imposed, and in particular its assistance to Yemen in its WTO accession negotiations. He highlighted the importance for Yemen of integrating into the MTS. Referring to the WTO General Council Declaration on LDCs acceding to the WTO, he emphasized that this should be implemented equitably and be consistent with Members’ obligations at the WTO.

205. The representative of **Côte d'Ivoire** expressed appreciation for the opportunity provided by the Board to deliberate on post-Doha developments in areas of concern and interest to developing countries. Commodities had not yet been given an appropriate role in the negotiations, despite the July Framework provision to do so. Yet commodity issues were particularly important to the trade and development of African countries, including his country. These issues needed to be adequately and specifically addressed in the negotiations. Also, the issue of cotton remained to be fully resolved as agreed in the “July package”. In addition, progress in the work on trade, debt and financing issues was important.

206. The representative of **Cameroon** praised the background document, particularly the elaboration of essential elements of a realizable development package from the Doha round. The Board, in keeping with UNCTAD's mandate, played an important role in reviewing post-Doha developments in areas of interest to developing countries so as to facilitate consensus on the development dimension of the negotiations. At its regular session in 2006, the Board should assess the results of the upcoming Hong Kong meeting. In multilateral negotiations, the process could be as important as the substance. In this respect, the following three issues were relevant: (a) the negotiations should be all-inclusive, fully transparent and focused in Geneva; (b) mini-ministerials and small group meetings should be avoided; and (c) the ministerial text for Hong Kong should reflect the views of all participants, not only the Chairman's text, as had happened at the WTO's Ministerial Conference in Cancún. Cameroon was committed to working constructively in the Doha negotiations with help from UNCTAD – for example, through JITAP – to raise stakeholder awareness and contributions to the Doha negotiations.

207. The representative of the **UN Economic Commission for Africa** expressed appreciation to UNCTAD for the joint work in addressing the challenges facing African countries in the international environment through trade capacity-building initiatives. These challenges included an appreciation of the complex linkages between production inputs and outputs, management of production processes and inventories of inputs and outputs, and careful scrutiny of quality standards. African countries needed to understand the dynamics of the production processes of the modern economy in order to compete effectively in global markets. This learning process would require public-private partnerships and substantial investment in people, institution building and infrastructure. A successful outcome to the Doha negotiations would not by itself end these challenges. African countries would need technical assistance to help them meet these challenges. The role of international agencies after the Doha round would be to mobilize to help African countries.

208. The representative of **Nigeria** said that development was at the centre of the DWP and it was necessary to fulfil this mandate for the achievement of the MDGs, as had been called for by major international conferences, including the outcome of the recent UN World Summit as well as the São Paulo Consensus. This mandate remained unfulfilled, and it was necessary to overcome difficulties on the road to Hong Kong, including by giving sustained momentum to the negotiation process so as to ensure a successful outcome in Hong Kong. He agreed with the Note by the secretariat on the essential elements of the development package towards MC6, including enhanced and predictable market access industrial goods, agriculture and services, particularly Mode 4, of interest to developing countries; substantial reduction of trade-distorting domestic support and address market entry barriers; elimination of export subsidies in agriculture; urgent elimination of trade-distorting domestic support for cotton and cotton products; enhancing preferences by improving preferential schemes and improving rules of origin; and the provision of adequate support on trade.

209. The representative of the **African Union** thanked the secretariat for its assistance to the African Union, particularly in connection with its most recent retreat and the Union's Ministerial Meeting in preparation for the Hong Kong meeting. He urged the secretariat to continue working with the African Union and its member States as they prepared for Hong Kong and the challenges that would follow.

*Action by the Board*

210. After considering a draft message from the Board to Governments participating in the Doha Round of multilateral trade negotiations (TD/B/52/L.3), at its plenary meeting on 14 October 2005, the Board decided that it was not in a position to reach agreement on the text.

## Chapter VI

### 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

(Agenda item 7)

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

“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: Note by the UNCTAD secretariat” (TD/B/52/6).

212. The **representative of the UNCTAD secretariat** said that the importance of follow-up to major United Nations conferences and summits had been reaffirmed recently by the World Summit, which had emphasized the vital role played by such events in the economic, social and related fields in shaping a broad development vision and in identifying commonly agreed objectives. The final document of the Summit reviewed actions required in a wide range of areas, many of them of relevance to UNCTAD. They related to trade, investment, debt, commodities, systemic issues, science and technology, countries with special needs and Africa, and South-South cooperation. Agenda item 7 provided an opportunity for the Board to systematically review the relationship between UNCTAD's work and overall major economic processes under way within the United Nations as a whole. It allowed the Board to assess the contribution UNCTAD had made as an institution, as well as to define and convey its own contribution to the global process.

213. Within the United Nations, the Economic and Social Council had the responsibility for the integrated and coordinated implementation of the outcomes of the major United Nations conferences and summits at the national, regional and international levels. The World Summit had requested ECOSOC to ensure the follow-up to those outcomes, including the internationally agreed development goals, and hold annual ministerial-level substantive reviews to assess progress, drawing on its functional and regional commissions and other international institutions, in accordance with their respective mandates. In its resolution 57/270B, the General Assembly had requested the President of ECOSOC to invite the President of the Trade and Development Board to present the outcomes of its reviews to the Council. The next meeting of ECOSOC would take place in Geneva, most probably in July 2006. This would be the second process institutionalizing the Board's contribution to the United Nations global review processes, after the ECOSOC Dialogue with the Bretton Woods Institutions, WTO and UNCTAD.

214. The **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, said that international trade in goods and services could act as a major contributor to development, but many developing countries were still marginalized from global trade. A development-oriented multilateral trading system would require enhanced and predictable market access and the elimination of market entry barriers. Developing countries should

ensure that the current round of GSTP negotiations would lead to improved prospects for South-South trade. In the multilateral trading system, a level playing field in rights and obligations must be ensured, and greater policy space and flexibility must be allowed, including effective special and differential treatment for developing countries, in particular LDCs. The effectiveness and predictability of trade preferences for LDCs should be improved with duty- and quota-free market access in all developed markets for all LDC exports. Rules of origin should be simplified and adapted to the production structures of LDCs. The negative impact of external factors on commodity-dependent countries, such as declining terms of trade and anti-competitive practices by multinational companies, must be mitigated. The International Task Force on Commodities would be an appropriate forum to discuss such issues in an integrated manner. Domestic policies should provide a stable macroeconomic environment, and policy space should be preserved to pursue the appropriate mix of development policies to ensure greater access to global production chains and transfer of technology. This could all be complemented by the establishment of an “aid for trade” fund, which could go beyond adjustment costs and deal with trade infrastructure, standards, supply capacity and related matters.

215. UNCTAD should conduct more policy analysis on the economic impact of recent natural disasters and the possible development impact of climate change. Policy analysis on the developmental impact of the rise in energy prices, particularly petroleum prices, was also called for. On debt, he welcomed the Gleneagles initiative and looked forward to its full implementation. He also looked forward to extending appropriate debt relief to other developing countries in need, including middle-income countries, stressing the need for a variety of instruments and mechanisms to defeat poverty. UNCTAD should continue its innovative and cutting-edge work on debt, and debt for equity swaps should be studied. One proposal presented to the World Summit was to convert half of the foreign debt of 100 heavily indebted and middle-income nations into funds for anti-poverty programmes, to be used in such projects as reforestation, mass housing, energy, eco-tourism, irrigation and post-harvest facilities, land reclamation, agricultural productivity and wealth-creating projects. On investment, he appreciated UNCTAD’s work to help developing countries foster an enabling and stable investment environment, as well as the research on the development dimension of investment. He noted the contribution made to WSIS, including the web-based ICT benchmarking tool and the related technical cooperation activities. Science, technology and innovation would be an important input for the achievement of the MDGs, and the recent launching of a network of centres of excellence on science and technology in developing countries, supported by Italy and Pakistan, would merit special attention. UNCTAD should continue contributing to inter-regional initiatives such as the Asia-Africa Summit and the Jakarta Ministerial Meeting on MDGs.

216. The representative of **Ecuador**, speaking on behalf of the **Latin American and Caribbean Group**, said that his Group attached great importance to UNCTAD’s work, whether analytical studies, consensus building or technical cooperation, on vital issues connected with the Monterrey Consensus and the Millennium Summit. He encouraged UNCTAD to continue its contribution to the review of progress in the implementation of the decisions made at the major UN conferences and summits on such issues as international trade, investment, external debt, financial stability, coherence among international monetary, financial and trading systems, and ICT applications for development.

217. Concerning the follow-up to the Millennium Summit, the results were not encouraging, and eradication of poverty remained a major challenge for the international

community as a whole. It was clear that one could not deal separately with matters related to human rights, development, peace and security, and the secretariat's note showed that UNCTAD's analytical work on various issues constituted practical contributions to the internationally agreed objectives. UNCTAD's contribution to the analysis of macroeconomic policies, finance, debt, poverty and interdependence underscored the importance of the organization's role within the United Nations system, and UNCTAD's ability as a universal body to analyse issues of concern and importance to developing countries should be further strengthened. The outcomes of such analyses would also strengthen consensus building and technical cooperation activities. UNCTAD's role as an institution truly working for the development of developing countries should be enhanced, and its technical cooperation programmes should be strengthened. Countries in his Group had a historic commitment to UNCTAD, and they would shoulder their responsibilities in terms of providing the necessary political support to the institution. UNCTAD could undoubtedly contribute to improved formulation of strategies in developing countries.

218. The representative of **Mexico** welcomed the role of UNCTAD in fulfilling the commitments made at the International Conference on Financing for Development. The Monterrey Consensus should strengthen the role of the United Nations in building bridges between organizations in the field of development finance and trade. Dialogue and activities must be strengthened to promote a favourable international climate to achieve the Millennium Goals. The Monterrey Conference had reiterated the shared responsibilities of nations, international institutions, civil society and the private sector in addressing problems of development and poverty alleviation. It would be important not only to obtain more financial resources but also to develop, implement and assess policies and strategies and have in place capable and effectively coordinated institutions. International agreements such as the Monterrey Consensus must be implemented in a balanced fashion, and UNCTAD should continue to promote coherence and shared responsibility, the universal principle for the international community to achieve successful results. Each forum and each international meeting on development policy must participate in the search for and implementation of strategies and programmes that could contribute to the fulfilment of international targets agreed in the Millennium Declaration and at the major summits and conferences.

219. The representative of **Indonesia**, speaking on behalf of the **Asian Group and China**, said that the issues highlighted in the secretariat's note reflected the way forward towards the mid-term review. In the context of the High-level Plenary of the General Assembly, the Board's special session on the MDGs had allowed member States to reflect on how UNCTAD could be strengthened to serve as the voice and conscience of development in the United Nations system, how it could continue to provide alternative thinking, how it could meaningfully contribute to the ongoing process to strengthen the United Nations, and how the Board could contribute to the next session of ECOSOC. Recent natural disasters and global climate change had had a devastating impact in South Asia and the United States, and UNCTAD should work on their economic impact within its mandate and expertise.

220. He underscored the importance of having an international environment conducive to development and providing developing countries with the necessary policy space to formulate policies appropriate to their own needs and conditions, as stated implicitly in the Monterrey Consensus and explicitly in the São Paulo Consensus. UNCTAD should continue to provide support to regional and interregional initiatives, especially South-South cooperation. Finally, the new security consensus that had emerged from the World Summit saw development as a key component of the collective security system, and the Summit's

outcome stressed the crucial role in development of trade, investment, science and technology, ODA and South-South cooperation. UNCTAD must do its share in the follow-up to the Summit.

221. The representative of **Honduras** expressed appreciation for UNCTAD's work on the HIPC initiative, of which his country had been a beneficiary. He also drew attention to the work done on the issue of ICT for development, especially the contribution made to the implementation of the WISIS Geneva plan of action and the preparation of the Tunis phase, the work on e-strategies, the *Information Economy Report*, the expert meeting on free and open source software, the development of a policy framework on the use of ICT for SMEs, and the publication of the *Digital Divide: ICT Development Indices 2004*. He encouraged UNCTAD to work further on the use of ICT not only by business but by all stakeholders, as well as on assessing ICT's impact on development. UNCTAD should also continue exploring the concept of policy space as a positive and constructive platform that would help developing countries make use of flexibilities within the legal framework of agreed international commitments and agreements.

222. The representative of **Pakistan** said that, as a focal point within the UN system on matters related to trade and development, UNCTAD had a special responsibility to further the development discourse. The first step should be to identify obstacles faced during the implementation of conference and summit outcomes. The first obstacle consisted of the systemic imbalances within the international system, which continued to contribute to underdevelopment, despite the good intentions expressed in a number of international documents. Secondly, there were emerging obstacles, such as natural calamities, and UNCTAD could, within its mandate, look into the impact of these disasters on the development process. Thirdly, while development was primarily a responsibility of individual Governments, UNCTAD should look into the fiscal and policy space available to Governments and how this was affecting the development process. He felt that there was conference fatigue, with much energy spent on negotiating outcomes, and there was now a need to think how the process should be taken further in different areas like development financing, debt, ODA and ICTs. While conference outcomes reflected common thinking and good intentions, nothing was actually taking place on the ground for the impoverished people on this planet. Hence, UNCTAD's main contribution should be to identify obstacles and to come up with clear recommendations at the national, regional and international level for concrete steps to further the development contents of the outcomes of conferences and summits.

223. The representative of the **United Kingdom**, speaking on behalf of the **European Union and the acceding states of Bulgaria and Romania**, said that the secretariat's note highlighted the considerable activity of the secretariat in fulfilling the advocacy elements of UNCTAD's mandate, as recognized in the São Paulo Consensus. Given its limited resources, however, UNCTAD might not be able to participate fully in all the discussions in the UN system, and some prioritization would be required, according to three criteria: first, requests of developing countries; second, the involvement of other parties or agencies involved in trade and development; and finally, the extent to which any advocacy by UNCTAD was likely to impact the outcome of the discussions. The most important and urgent advocacy work for UNCTAD was to strengthen the voice of the least developed countries, small island developing States, landlocked developing countries and other developing countries facing particular challenges. He encouraged the secretariat to continue to give priority to this important work.

224. The representative of **Indonesia** stressed the importance of UNCTAD's contribution to assisting developing countries in the implementation of the outcome of the major UN conferences and summits. Her country committed itself to implementing the internationally agreed development goals, including those of the Millennium Summit, since those goals laid the basis for an expanded vision of human development and provided a framework for measuring progress and for the global partnership for development. The outcomes of the major UN conferences should be implemented in a consistent manner and within the given timeframe, particularly the commitment made by developed countries to devote 0.7 per cent of their GNP to ODA. UNCTAD could make a significant contribution to ensuring coherence between trade and development in global economic policy making. Its strategy should be geared towards strengthening the capacity of developing countries to respond to emerging trends and challenges in globalization. This should be done in a coordinated and integrated manner by facilitating and supporting the national implementation of the outcomes of the major UN conferences and summits. Within the spirit of the São Paulo Consensus, UNCTAD should strengthen partnerships and create synergies to strengthen multilateral cooperation for development, and avoid duplication of work undertaken by other international organizations.

## Chapter VII

### TECHNICAL COOPERATION ACTIVITIES: INVESTMENT POLICY REVIEW OF KENYA

(Agenda item 8(c))

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

*Investment Policy Review: Kenya* (UNCTAD/ITE/IPC/2005/8).

226. The President of the Board welcomed the high-level participation of the Government of Kenya, led by H. E. Mukhisa Kituyi, Minister of Trade and Industry. Ambassador H. E. Antonio March of Spain chaired the discussion.

227. Introducing the IPR, the representative of the secretariat acknowledged Kenya's long history of economic leadership in East Africa while noting that, based on its potential, the country could attract more investment. The IPR identified several instances where FDI had brought significant benefits to the economy (horticulture, airlines, mobile telecommunications). UNCTAD proposed a strategy to revitalize FDI in four areas by (a) pursuing regional opportunities in manufacturing; (b) establishing Kenya as a regional services hub; (c) reinforcing agri-business; and (d) diversifying investments in export processing zones, including by attracting efficiency-seeking investors in services. These strategies needed to be complemented with further efforts to improve the workings of the investment framework, revise or modernize a number of laws, and upgrade key infrastructure (transport, utilities, telecommunications). The IPR commended efforts by the Government to amend the Investment Promotion Act so as to remove minimum capital requirements for foreign investors. It underscored that Kenya could perform better if the low quality and high cost of infrastructure, unresolved problems of governance, and problems in translating a relatively sound investment framework on paper into efficient practice were addressed further.

228. The Minister expressed his Government's gratitude to UNCTAD for its technical assistance through the IPR, the East Africa Bluebooks and *An Investment Guide to Kenya* (published by UNCTAD and the International Chamber of Commerce). He welcomed the recommendations of the report and looked forward to the implementation of IPR action plan. Progress had already been achieved in a number of areas highlighted in the report. In particular, he stressed the recovery in FDI and the Government's shifting from regulation to facilitation. Amendments to the Investment Promotion Act had been sent to Parliament to remove the minimum capital requirement for foreign investors. He also stressed the facilitating role of the newly approved Investment Promotion Act and the incentives it provided, including through fast-tracking major projects, facilitating the issuance of business licences and providing one-stop shop services to investors. The Investment Promotion Centre had been turned into the Kenya Investment Authority on 3 October 2005 in order to strengthen its role in investment promotion and aftercare. The Minister underscored the need for domestic and foreign investment to reinforce each other and said that the Government, in association with private-sector institutions, had launched a benchmarking exercise to monitor Kenya's performance vis-à-vis its main competitors in a number of areas. He stressed his Government's efforts to improve infrastructure, reduce the cost of doing business, and achieve national development goals, including supporting women in business.

229. The lead discussants included representatives of Nigeria, the Netherlands and Ecuador. Other delegations included Benin, China, Japan, Senegal and Uganda. Two private-sector representatives, Old Mutual and Flower Direct, gave their views on the investment climate in Kenya. Representatives from the private sector provided crucial feedback on the investment climate and an open and frank assessment of the challenges facing Kenya. The high quality of Kenya's human resources and the entrepreneurship of its people were highlighted as key assets. One representative said the IPR identified many of the issues that urgently needed to be addressed. Some of these had been known for some time, and there was a pressing need to take concrete actions and speed the pace of reforms. Kenya should benchmark its performance internationally and ensure that a clear system of accountability and responsibility was set up in Government. A representative of a medium-size foreign firm highlighted the complications involved in investing in Kenya that resulted from pervasive corruption. He also stressed concerns about personal safety and the need to provide effective support to SMEs in setting up their investments.

230. A number of delegations commended UNCTAD for its useful work in providing technical assistance in the investment area, but stressed the need to ensure that resources were available to implement the recommendations of IPRs. They said that UNCTAD's IPRs and the WTO's Trade Policy Reviews usefully complemented each other. One speaker highlighted Kenya's leading role in sustaining regional cooperation in East Africa. Kenya is a prime investment destination in East Africa, a manufacturing and services hub, and a source for investment in the sub-region and the enlarged COMESA market. Another speaker stressed that the Government of Kenya had made progress in playing a facilitating role for businesses and avoided overregulation and excessive intervention in key sectors. However, speakers agreed with the IPR assessment that the investment framework suffered from key weaknesses in implementation, in spite of the relative soundness of the laws themselves. They stressed the urgent need to take concrete steps to solve a number of well-known problems in this area.

231. A delegation indicated that its Government was working on a number of measures to promote investment in Kenya by its nationals. These included the establishment of a business centre in Nairobi and strengthening formal bilateral trade and investment ties. Another delegation underscored the strength of human resources in Kenya and the need to address issues of governance more forcefully. Delegations commended the frankness and openness of the debate and the valuable contribution from private-sector participants.

232. The Minister concluded the session by answering the questions raised by meeting participants. He stressed that Africa and Kenya had what it took to succeed in a competitive global environment, and that they should not seek to excuse failures, but rather work hard to get things done and adopt a "can do" attitude. He said he was committed to sustaining the momentum for change, speeding up the pace of reforms and introducing bold measures. He also underscored the Government of Kenya's commitment to building strong economic integration with East Africa.

## 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

##### Investment for Development Partnership

233. The **Officer-in-Charge of the Division on Investment, Technology and Enterprise Development** outlined the purpose of the partnership and indicated the various public and private sector partners supporting the initiative. In the last year, substantial funding had been secured for two major activities: firstly, the Business Linkages Programme in Brazil, which had been launched in early 2005 in cooperation with GTZ, the Ethos Institute and the Fundação dom Cabral; and secondly, the Investment Blue Book Initiative, launched in partnership with the Japan Bank for International Cooperation (JBIC). Blue Books had already been published for five countries, and JBIC had agreed to provide further funding in 2006. UNCTAD had also secured the collaboration of the China-Africa Business Council (CABC), which had announced joint activities to promote business cooperation between China and Africa, including through the Blue Book initiative. As a result, a number of Investment Guides had been summarized in Chinese and distributed among potential Chinese investors.

234. The latest partnership initiative between UNCTAD, the World Association of Investment Promotion Agencies (WAIPA) and the Swedish International Development Agency (SIDA) had resulted in a comprehensive programme entitled “Capacity-building and the transfer of knowledge to investment promotion agencies in developing countries”. The Swedish Minister for Industry and Trade had recently announced a financial contribution by SIDA of 1 million euros towards this initiative. Principal activities included research and policy analysis on issues of particular interest to WAIPA member agencies. WAIPA would ensure transfer of knowledge from UNCTAD to the network of 180 investment promotion agencies (IPAs) around the world. A first concrete output of the partnership was a joint publication on strategic views on foreign direct investment. The second area of cooperation was human resources and capacity-building to strengthen the investment promotion capacity of member agencies. The third area involved study tours, designed to complement capacity-building activities and contribute in particular to South-South cooperation.

235. The representative of **Sweden** confirmed the decision by SIDA to contribute one million euros to WAIPA in support of activities between 2005 and 2007. This contribution underlined Sweden's support for the exchange of best practices between developing countries.

236. The representative of **Japan** affirmed that partnerships were key to the provision of effective development assistance, as they avoided duplication of work and increased the effectiveness of activities. Synergies between the work of UNCTAD and WAIPA were a good example of this.

237. The representative of the **United Kingdom**, speaking on behalf of the **European Union and the acceding countries of Bulgaria and Romania**, welcomed the collaborative approach demonstrated by the UNCTAD-WAIPA partnership. He also underlined the importance of ensuring that such cooperation contributed to furthering the goals of UNCTAD.

238. The representative of the **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, expressed firm support for the WAIPA-UNCTAD partnership, which had benefited many members of his Group, and welcomed the joint meeting of WAIPA and UNCTAD in the context of the Commission on Investment.

239. The representative of **Egypt**, speaking on behalf of the **African Group**, highlighted the importance of WAIPA's regional workshops, such as the joint UNCTAD-WAIPA training session on policy advocacy for IPAs held in Nairobi in July. The African Group appreciated the joint sessions of WAIPA and UNCTAD, as well as the WAIPA World Investment Conference.

240. The representative of **Benin**, speaking on behalf of the **least developed countries**, welcomed the joint work of WAIPA and UNCTAD, which should be developed further in the future.

241. The representative of **Indonesia**, speaking on behalf of the **Asian Group and China**, said that the best way to move the development agenda forward was to form a development compact between all key stakeholders, including government and business.

242. The representative of **Peru** said cooperation between UNCTAD and WAIPA should be pursued, including through their work with the Andean Community.

243. The representative of **El Salvador**, speaking on behalf of the **Latin American and Caribbean Group**, expressed support for the WAIPA-UNCTAD partnership.

### **Partnership for Training, Distance Learning and Networking**

#### **Multi-Stakeholder Partnerships on Information and Communications Technologies for Development**

244. The **Officer-in-Charge of the Division for Services Infrastructure for Development and Trade Efficiency** said that the Partnership for Training, Distance Learning and Networking was centred around UNCTAD's Virtual Institute on Trade and Development. The first meeting of the member universities, in July 2005, had agreed on a plan of activities that was already under implementation. Activities included joint development of teaching materials, collaborative research and exchanges of faculty and students. Concerning the ICT partnerships, work on the e-measurement partnership had allowed the adoption of a list of core indicators, and the results of a stock-taking exercise and of work on a methodological annex to the list of core indicators would be presented at the World Summit on the Information Society in Tunis in November. Concerning the e-tourism partnership, an e-tourism website had been launched in April 2005, and work was well advanced on the development of an Electronic Tourism Platform that would allow developing countries to organize, market and sell their own tourism services online. On the issue of free and open-source software (FOSS), work had been done on several Memorandums of Understanding with companies, NGOs and academic centres. a FOSS Advisory Team was being developed, with representatives from UNCTAD, the UNDP International Open Source

Network, the Open Source Initiative, the University of Maastricht Infonomics Programme and the IT industry. On e-finance, a networking arrangement had been established with several leading financial service providers and other institutions interested in improving SME access to trade-related finance and e-finance. Finally, concerning the ePol-Net, much of the latest work had focused on Africa. UNCTAD's contributions had focused on policy research and analysis and technical assistance in the area of ICT for economic development, trade and enterprise competitiveness.

245. The representative of **Peru** stressed the importance of the positive results that the Virtual Institute was delivering. The Institute represented an excellent means of supporting the implementation of paragraph 166 of the Bangkok Plan of Action.

### **Commodities partnership**

246. A representative of the **UNCTAD secretariat** reported on progress with respect to the establishment of an International Task Force on Commodities (ITFC). The ITFC, which had been launched at UNCTAD XI, was intended to be a comprehensive and systematic consultative framework for sharing information and using complementary expertise on commodities. Its membership would include representatives of Governments, international organizations, the private sector, NGOs and the academic community. Since the last time that member States had been briefed on this subject, President Benjamin William Mkapa of the United Republic of Tanzania had agreed to chair the Task Force. The secretariat had carried out extensive consultations on the ITFC, and it had emerged that Governments supported the Task Force as a crucial step towards innovative solutions to commodity problems. The heads of the intergovernmental organizations concerned, including the IMF, the World Bank, UNDP, FAO, the Common Fund for Commodities and international commodity bodies, had all confirmed their support, and key players in the private sector had confirmed their interest. A work plan and a budget had been prepared and, in response to a concern expressed by some Governments, a role for the ITFC in stimulating new partnerships had been added. Partnerships already established by UNCTAD would benefit from increased coherence and complementarity in approaches and solutions and from synergies in planning and execution of activities. These partnerships include the Sustainable Commodity Initiative with the International Institute for Sustainable Development, the Partnership on Sustainable Economic Development and Mining involving a large number of public and private sector organizations, the International Task Force on Commodity Risk Management involving the World Bank and others, a partnership with supermarkets and developing country producers' associations on market entry for small-scale farmers, several partnerships on energy commodities and partnerships on finance and on structured finance for commodity trade. The next steps in setting up the Task Force would consist in securing the base funding (US\$2.7 million until UNCTAD XII), finalizing the membership and organizing the first meeting in the first quarter of 2006.

### **(b) Report of the Working Party on the Medium-term Plan and the Programme Budget on its forty-fifth session**

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

“Report of the Working Party on the Medium-Term Plan and the Programme Budget on its forty-fifth session” (TD/B/WP/184).

248. The representative of the **Russian Federation**, speaking in his capacity as **Chairperson of the Working Party at its forty-fifth session**, introduced the report of the Working Party.

249. The representative of **Norway** noted with satisfaction the vision of the Secretary-General of UNCTAD concerning the organizations' new orientations. Focus, priority, relevance, transparency and result orientation should be the guiding principles applied to technical cooperation activities. He expressed concern at three aspects of UNCTAD's technical assistance programme: the share of LDCs versus that of Africa; the fragmentation and the lack of strategic approaches and priorities; and the competition in fund raising among divisions. He encouraged the secretariat to elaborate broadly based programmes and trust funds. Norway had been a strong supporter of UNCTAD's technical cooperation and had funded areas where the organization had a comparative advantage, such as debt management, investment, competition and commercial diplomacy. In all these areas, LDCs and Africa had been given top priority. The future contribution by Norway would, however, depend upon UNCTAD's ability to reform and streamline its activities in order to improve focus and reduce fragmentation.

250. The representative of **Peru**, speaking on behalf of the **Latin American and Caribbean Group**, said that technical assistance depended on the predictability and quantity of resources, as well as on the effectiveness and coherence of delivery. In that regard, Board decision 478(L) on technical cooperation, adopted in 2003, must be implemented. The use of resources could be improved through enhanced interdivisional activities, increased collaboration among different providers of technical assistance, strengthened thematic activities, increased interregional activities, enhanced work with subregional secretariats, and the equitable geographical distribution of assistance. Her Group was concerned about the structure of resources, which were heavily dependent on voluntary contributions from donors, and requested a report from the secretariat on options to improve the current financing system, including through a multi-year and multi-donor scheme. Her Group was interested in particular in technical assistance in the areas of innovation and transfer of technology, improved competitiveness of small and medium-size enterprises, new and dynamic sectors, biotrade, biofuels, programmes on competition policy and investment, and capacity building for negotiations on trade and investment. With regard to the latter, she emphasized the need of increased support for the effective implementation of paragraph 166 of the Bangkok Plan of Action and the need to link it with other successful programmes like the Virtual Institute and the TrainForTrade Programme. Finally, she thanked bilateral and multilateral donors for their support for technical assistance activities in her region and invited them to increase it.

251. The representative of the **Russian Federation** underlined the need for a balanced distribution of resources among the different regions and countries, paying particular attention to countries acceding to WTO. He noted with satisfaction a number of initiatives undertaken in the Russian Federation and the effectiveness of programmes such as TRAINFORTRADE, the Virtual Institute and the E-tourism Initiative. He called for enhanced activities in these areas, as well as for continued support for countries with economies in transition.

252. The representative of the **United Kingdom**, speaking on behalf of the **European Union and the acceding countries of Bulgaria and Romania**, expressed support for the work of the Working Party, which had been a model of collaborative efforts. The Working

Party had adopted a strong programme of action, and he called for improved coordination among donors and beneficiaries in the implementation of UNCTAD technical cooperation.

253. The representative of **China** commended the secretariat for its work under the technical cooperation programme and thanked donors for their support. China was ready to contribute in an appropriate way in the future. Concerning the in-depth evaluation of the “Training Courses on Key Issues on the International Economic Agenda”, he called for the full implementation of the recommendations. He noted with satisfaction the work carried out by the Trade and Development Institute in Bangkok and asked donors to continue to support its activities. Finally, he expressed the hope that the spirit of São Paulo would continue to prevail.

254. The representative of **Switzerland** welcomed in particular the priority given in UNCTAD’s technical cooperation to LDCs, South-South cooperation, country projects and the implementation of the new Strategy. He also welcomed the increased integration between the three main pillars of UNCTAD’s activities and the enhanced inter-divisional and inter-agency cooperation. However, he shared the views expressed by Norway on the need for a stronger strategic approach and priorities. Evaluation had demonstrated its value in: assessing the relevance, efficiency and impact of projects; correcting weaknesses; and implementing recommendations. Evaluation was not a one-time event; conclusions and recommendations should have proper follow-up until their full implementation and involve the evaluators at all stages. Recent evaluation reports on regional investment agreements and paragraph 166 of the Bangkok Plan of Action were good examples where the secretariat had been proactive and not defensive. Finally, he strongly advised the secretariat to give increased visibility to UNCTAD technical cooperation activities and to set aside half a day during the Board’s regular session for the presentation of technical cooperation activities. This would allow donors to assess projects and would serve as an attractive show-case for the activities of the organization.

**(c) Financing the participation of experts from developing countries and countries with economies in transition in UNCTAD expert meetings**

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

“Financing the participation of experts from developing countries and countries with economies in transition in UNCTAD expert meetings: Note by the UNCTAD secretariat” (TD/B/52/CRP.3).

*Opening statements*

256. The **Director of the Division of Management** said that the question of financing of experts had first arisen at UNCTAD IX in 1996, at which time it had been the will of member States that funding should not come from the regular budget. Subsequently, the General Assembly had allocated \$5.5 million dollars to UNCTAD from overall savings, and it had authorized the use of some of those funds to finance experts, while at the same time stipulating that it was not thereby setting a precedent. When those funds had run out, efforts had been made to secure alternative funding, namely through extrabudgetary contributions, but all funds had now been spent. Earlier in the year, when preparing the draft programme budget, the UNCTAD secretariat had included a provision for financing of experts, but

Headquarters, in the absence of any mandate from the Board, had declined to accept the provision.

257. The **Secretary-General of UNCTAD** said that the problem of the financing of experts should not be insurmountable, and he made a plea to member States to take the matter seriously with a view to identifying a solution. Making the intergovernmental machinery work as efficiently as possible was of key importance. The machinery must produce results, it must give direction to the work of the organization, and it must give advice in the context of multilateral trade negotiations. The work of experts had a crucial role to play, and it was important to have the views of experts from all parts of the world. As a manager, he would not be able to achieve much if member States could not agree among themselves. If member States decided to rely on extrabudgetary resources, the secretariat would try to obtain contributions, but what was needed was a long-term and predictable solution. Half-hearted expert meetings were not worth having.

258. The representative of the **Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, said that his Group was very disappointed with the lack of progress made on financing of experts, but it nevertheless remained optimistic. At the Mid-term Review in 2002, the members of the Board had agreed to find a long-term solution for the predictable financing of experts by the end of 2002, and the issue had been discussed many times since then, but success had not been forthcoming. The experimental approach based on extrabudgetary financing had not worked. It had become clear that an innovative solution was unlikely to be found, so the way forward lay in a conventional solution.

259. Expert meetings were an essential element of the intergovernmental machinery, but for the meetings to function properly, developing countries must be able to participate effectively. This would only be possible if adequate resources were provided to enable experts from a broad cross-section of developing countries to attend. The only way to ensure adequate funding on a predictable basis was to give a clear intergovernmental mandate for the use of regular budget resources for that purpose. If a consensus to that effect was not possible, the future of UNCTAD's expert meetings would clearly be called into question, and the Mid-term Review in 2006 would be complicated by the need to re-examine UNCTAD's intergovernmental machinery and study alternatives to consensus building, including increased recourse to negotiated outcomes. The secretariat should present options on how to adjust the intergovernmental machinery to ensure the continued functioning of UNCTAD's consensus building pillar.

260. The representative of **Indonesia**, speaking on behalf of the **Asian Group and China**, said that the issue of financing of experts was inherently political. Unless experts from a broad cross-section of developing countries could participate effectively, the value of UNCTAD expert meetings would be called into question, with ramifications across the board. The issue was therefore of fundamental importance. Previous approaches had not worked, and it therefore appeared that UNCTAD must be given an intergovernmental mandate to use regular budget resources. If the Board was unable to move forward on the issue, the continuing feasibility of UNCTAD expert meetings could be called into question, and considerable energy might have to be devoted at the Mid-term Review to considering the intergovernmental machinery, to the detriment of other important issues.

261. The representative of the **United Kingdom**, speaking on behalf of the **European Union and the acceding countries Bulgaria and Romania**, said that he recognized the importance of financing of experts and was aware of the sensitivity of using regular budget

resources for that purpose. However, the issue was not a political one, nor should it be used as a bargaining chip. What was important was to work towards a better functioning of the intergovernmental process. If the issue was to go to the Mid-term Review, the Secretary-General of UNCTAD could hold consultations with a view to finding middle ground. He asked that the legal advice received from Headquarters be made available to delegations.

262. The representative of the **United States of America** said that it was frustrating not to find a viable way forward, but there seemed to be no immediate solution, and further discussions would be necessary. The energy injected by the Secretary-General should help. The issue of financing of experts should not be linked to any other issue, including in the context of the Mid-term Review, and it might be premature to consider any major revisions to the intergovernmental machinery so soon after the entry on duty of the Secretary-General.

263. The representative of **Switzerland** said he shared the frustration of others. Member States had fallen short of implementing the mandate they had set themselves in 2002, and that was regrettable. Expert meetings had failed in terms of generating solid networks in different areas of work, and many of them had no long-term impact on UNCTAD's work. It would be important to strengthen the continuity of experts' work by working on themes and creating networks, and UNCTAD's two intergovernmental groups of experts could serve as models. The issue of financing of experts should therefore be discussed in a more holistic way at the Mid-term Review, with consideration being given to the impact of expert meetings.

264. The representative of **Peru** supported the statement of the Group of 77 and China and said that, since the secretariat's note had just been received, the item should remain open.

265. The representative of **China** said that the issue of financing of experts had been on the table for a very long time, but it was now the right time to generate the momentum necessary to reach a solution.

#### *Action by the Board*

266. At its 977th plenary meeting, on 14 October 2005, the Board requested the Secretary-General of UNCTAD to use his good offices to conduct on an urgent basis further consultations with member States on the financing of experts and the modalities for selecting experts and to report back to the Board at an executive or special session.

#### *Closing statements*

267. The representative of the **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, welcomed the fact that the Secretary-General of UNCTAD had agreed to conduct consultations but said that he was disappointed at the failure to reach agreement on the issue of financing of experts. This was an important issue, since expert meetings were at the heart of UNCTAD's work and if the consensus-building pillar was not working well, the organization's mandate would suffer. His delegation had tabled a draft resolution on the issue of financing of experts; it was a very reasonable text, whereby the Board would express a view and ask the General Assembly to take that view into account. It therefore did not represent an attempt to usurp the prerogatives of the General Assembly. However, the text had not been accepted, or even discussed. He therefore asked that the text of the draft resolution be taken into account in the consultations of the Secretary-General.

268. The **Secretary-General of UNCTAD** said that he was anxious to find a long-term solution to the problem of financing of experts, but the issue was complex. He would undertake consultations on as urgent a basis as possible.

269. The representative of **Cuba** said that it was sad to see that the consensus-building pillar of UNCTAD had been diminished in the course of the session, since it had not been possible to agree on a number of issues. It was essential to return to the spirit of São Paulo.

270. The representative of **Honduras** regretted that no substantive solutions had been found for developing countries' problems at the current session.

## Chapter IX

### **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 2004–2005 AND THEIR IMPACT**

(Agenda item 11(a))

271. The representative of **Ireland**, speaking in her capacity as **President of the Advisory Body**, said that the Advisory Body had met in February 2005 to discuss the implementation of courses organized within the framework of paragraph 166 of the Bangkok Plan of Action. In November 2005, the UNCTAD secretariat had delivered a course in Hanoi, Viet Nam, and earlier in the year it had delivered the second regional course for Latin America and the Caribbean in Havana, Cuba. So far, a total of 194 officials and academics from developing countries and countries with economies in transition had been trained. A series of short courses for Geneva-based delegations had also been launched. Feedback on the courses had been very positive, and an in-depth review undertaken by the Working Party on the Medium-term Plan and the Programme Budget had concluded that the courses continued to meet the needs of policy-makers and negotiators from developing countries and countries with economies in transition.

272. On the question of funding, the lack of predictable funding had interrupted the sequence of courses planned for 2005, notably for Western Asia and other Arab States and for Africa. In this connection, the Working Party had called upon the secretariat to ensure that predictable funding was made available for the courses. The Advisory Body had felt that the outcome of the evaluation would provide impetus for donor countries to support the courses, and she therefore called on donors in a position to do so to provide funding.

## Chapter X

### CLOSING STATEMENTS

273. The representative of **Switzerland** said that the results of the Board's session were mixed. On the positive side, the analyses before the Board had been generally of good quality, conveying the impression that the organization was moving away from a somehow anachronistic view of international economic relations based on a crude North-South divide. The organization should continue along that path, while maintaining its critical approach and promoting the development dimension. Its views should be more internally consistent. On the negative side, too much of the Board's time had been spent on formal statements, and greater efforts would have to be made to showcase the organization's technical assistance. The marketing efforts of the organization needed to be improved. In future, half a day could be set aside to present the activities of one of the divisions. A solution must be found by making the Board a lighter and more dynamic exercise. On financing of experts, he agreed that a solution had to be found, and efforts must be made to improve the continuity and the selectivity of the subjects of expert meetings, focusing on very few areas where UNCTAD could make the difference. The IPR on Kenya had been excellent, and interactive debate in Sessional Committees I and II was important. He supported the idea of creating a Task Force of Eminent Persons. Finally, the intergovernmental machinery should be reviewed at the Mid-term Review in 2006. Only a more effective intergovernmental machinery would make UNCTAD's voice heard internationally.

274. The **Secretary-General of UNCTAD** said that the Board had had useful interactive discussions, and that should be encouraged. However, at times participation had left a lot to be desired, and if delegations were serious about getting solutions, participation would be essential. Ways must be found of enhancing the consensus-building exercise with a view to serving the common good, and the Board should produce more agreed conclusions in the future. Looking forward to the Mid-term Review, it would be important to look at South-South cooperation and at UNCTAD's contribution to discussions on the role of technology. Finally, as previously announced, he would be asking a panel of eminent persons to look at how the work of UNCTAD could best be focused and how the organization could prepare for reform. The seven persons comprising the panel would be: Fernando Henrique Cardoso, former President of Brazil and former chairman of the UN Secretary-General's Panel of Eminent Persons on UN-Civil Society Relations (Chairperson); Jagdish Bhagwati, Eminent Professor of Economics at Columbia University; Gro Harlem Brundtland, former Prime Minister of Norway and former Director-General of the World Health Organization; Joaquim Chissano, former President of Mozambique and former Special Envoy of the United Nations Secretary-General on the 2005 World Summit; Tarja Halonen, President of Finland and Co-Chair of the World Commission on the Social Dimension of Globalization; Lawrence Summers, President of Harvard University and former US Treasury Secretary; and Long Yongtu, Secretary-General of the Boao Forum for Asia and former Trade Representative of China.

## Annex

### ATTENDANCE<sup>1</sup>

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

Afghanistan	Greece
Algeria	Haiti
Angola	Honduras
Argentina	India
Austria	Indonesia
Azerbaijan	Iran (Islamic Republic of)
Bangladesh	Iraq
Barbados	Ireland
Belarus	Israel
Belgium	Italy
Benin	Jamaica
Bolivia	Japan
Botswana	Jordan
Brazil	Kenya
Bulgaria	Latvia
Burkina Faso	Lebanon
Cameroon	Lesotho
Canada	Madagascar
Chad	Malaysia
Chile	Mali
China	Malta
Colombia	Mauritania
Croatia	Mauritius
Cuba	Mexico
Czech Republic	Morocco
Democratic People's Republic of Korea	Mozambique
Democratic Republic of Congo	Myanmar
Denmark	Namibia
Dominican Republic	Nepal
Ecuador	Netherlands
Egypt	Nicaragua
El Salvador	Nigeria
Ethiopia	Norway
Finland	Oman
France	Pakistan
Germany	Panama
Georgia	Paraguay
Ghana	Peru
	Philippines

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<sup>1</sup> For the list of participants, see TD/B/52/INF.1.

Poland	Sweden
Portugal	Switzerland
Qatar	Syria
Republic of Korea	Thailand
Romania	Tunisia
Russian Federation	Ukraine
Saudi Arabia	United Kingdom of Great Britain and Northern Ireland
Senegal	United Republic of Tanzania
Singapore	United States of America
Slovakia	Uruguay
Slovenia	Venezuela
South Africa	Viet Nam
Spain	Yemen
Sri Lanka	Zambia
Sudan	Zimbabwe

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

Djibouti	Palestine
Holy See	

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

African, Caribbean and Pacific Group of States  
European Community  
League of the Arab States  
Organisation internationale de la francophonie  
South Centre

4. The following United Nations organization was represented at the session:

Economic Commission for Africa

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

Food and Agriculture Organization of the United Nations  
World Trade Organization

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

*General Category*

Exchange and Cooperation Centre for Latin America  
Engineers of the World  
Global Traders Conference  
International Centre for Trade and Sustainable Development  
Third World Network  
World Federation of Trade Unions

*Special Category*

International Ocean Institute

7. The following panellists attended the session:

**Item 2 – High Level Segment: Economic growth and poverty reduction in the 1990s – Lessons from a decade of economic reform for development strategies and global partnerships in the new millennium**

The Hon. Mr. Alan Kyerematen, Minister of Trade and Industry of Ghana  
Mr. Leiv Lunde, Vice-Minister for International Development of Norway  
Mr. Arturo O'Connell, Member of the Board of Governors, Central Bank of Argentina

**Item 3 – Interdependence and global economic issues from a trade and development perspective: New features of global interdependence**

Mr. Humberto Campodónico Sanchez, Profesor, Facultad de Economía, Universidad Nacional Mayor de San Marcos, Lima  
Mr. He Fan, Assistant Director of the Institute of World Economics and Politics, Chinese Academy of Social Sciences, Beijing  
Mr. Irfan Ul-Haque, Member of New Rules for Global Finance Coalition, Independent Consultant

**Item 4 (b) LDCs: Erosion of preferences for the least developed countries: Assessment of effects and mitigating options**

M. Leannel, Directeur des relations internationales, Ministère de l'industrialisation, du commerce et du développement du secteur privé, Antananarivo  
Mr. Mohammad Taslim, Professor, University of Dhaka, Bangladesh  
Ms. Sheila Page, Overseas Development Institute, United Kingdom  
Mr. Bernard Koekman, World Bank

**Item 5 – Economic Development of Africa: the role of foreign direct investment in growth and development**

Ms. Bonnie Campbell, Professor, University of Quebec, Montreal, Canada  
Mr. Colin H. Kirkpatrick, Professor, Development Economics, former Director, Institute for Development Policy and Management, University of Manchester  
Mr. Francis Matambalya, Professor, University of Dar-es-Salaam, United Republic of Tanzania  
Mr. Thandika Mkandawire, Director, United Nations Research Institute for Social Development, (UNRISD), Geneva

**Item 8 (c) Investment Policy Review, Kenya**

The Hon. Mr. Mukhisa Kituyi, Minister of Trade and Industry, Kenya  
H.E. Mr. Joseph Ayalogu, Ambassador, Permanent Mission of Nigeria  
Ms. Maggie Kigozi, Executive Director, Uganda Investment Authority  
Mr. Stewart Henderson, Chief Executive Officer, Old Mutual

Mr. Herbert Oberhänsli, Assistant Vice-President, Nestlé  
Mr. Yash Tandon, Executive Director, South Centre  
Mr. Fumio Hoshi, Senior Executive Director, JBIC

8. The following observer organization was represented at the session:

Mr. Josaphat Kweka, Research Fellow, Economic And Social Research Foundation  
(ESRF), Dar-es-Salaam, United Republic of Tanzania

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