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Agenda item 8(b)

**HEARING WITH CIVIL SOCIETY AND THE PRIVATE SECTOR**

**22 September 2006, Palais des Nations, Geneva**

**Executive summary**

Pursuant to paragraph 117 of the São Paulo Consensus, the Trade and Development Board convened the third hearing with representatives from civil society and the private sector, allowing them to express their views on issues before the Board. The hearing was held on 22 September 2006 and was attended by member States, civil society organizations and private entities.

The hearing was chaired by the President of the Trade and Development Board. Following the Chairperson's opening remarks, the representative of the Secretary-General of UNCTAD addressed the meeting and made welcoming remarks. Other participants then expressed their views on the issues before the hearing. A summary of the views expressed is presented below.

## UNCTAD, DEVELOPMENT AND THE WAY FORWARD

### *How can UNCTAD be more effective? How can UNCTAD enhance its political engagement in the context of global governance?*

1. The participants underlined the importance of UNCTAD as a free and independent institution within the UN system and expressed the wish to see its critical perspective and integrity maintained and its role and functions strengthened. UNCTAD had an important contribution to make both in the field of economic analysis and in facilitating interpretation and understanding of international agreements and provisions and related economic effects. Good analysis and advice had been provided to developing countries in such contexts as the Asian financial crisis and the Uruguay Round negotiations.

2. It was emphasized that, in its research, UNCTAD was to stay ahead of the curve and engage in innovative and high-quality thinking on trade and development issues. The strength of UNCTAD lay in its unique position in terms of the integrated treatment of trade and development. Its work was intellectually inspiring for policy makers and for civil society. Participants emphasized that UNCTAD should continue to be a forum in which developing countries could express their needs and concerns. Some participants hoped that UNCTAD and its member countries would clarify UNCTAD's role in the context of trade negotiations. UNCTAD should become more effective, perhaps becoming once again a negotiating forum, in order to strengthen the commodity position of developing countries. UNCTAD should not self-sensor its work on policy analysis of current issues such as ongoing trade negotiations or the reform of the IMF and the World Bank, because developing countries needed to understand their repercussions. UNCTAD member countries had to allow and encourage the secretariat to continue such independent analysis. Effective participation by UNCTAD was needed in other forums at the regional and subregional level, and debate and dialogue in UNCTAD should be opened up to other international agencies. Developing countries continued to need assistance, and the mandates of UNCTAD remained as important as ever. Indeed, for some participants, UNCTAD had become even more relevant, given the current international environment and global rules. UNCTAD could place more importance on analysing the impact of multilateral disciplines, since developing countries lacked the capacity to do so themselves. The commodity problem was highlighted as a recurrent issue of concern to developing countries.

3. Several participants praised UNCTAD's challenge to conventional economic thinking in its more recent reports, particularly the *Trade and Development Report (TDR)*, the *Least Developed Countries Report* and the *Economic Development in Africa Report*. The *TDR* had shown the unsatisfactory outcome of market-oriented reforms and how multilateral and regional commitments had imposed constraints on the development policies of developing countries. The Report called for increasing flexibility and greater policy space for developing countries to enable them to achieve their development objectives. Developed countries were asked how they would reconcile the recommendations of these reports with their policies and if they would be willing to revise their positions. It was important to highlight the interrelationship between trade, debt and finance and the need for developing countries to break the vicious circle of dependence on external finance. However, concern was also expressed that UNCTAD sometimes engaged in self-censorship. Some participants underlined the need to look for alternative models and theories.

4. With regard to the role of civil society, interaction with UNCTAD was considered of great value, and deeper involvement in its work was requested, particularly in substantive discussions. NGOs had the advantage of working closer to the ground, and they could produce fresh ideas and think out of the box. They could therefore not only identify problems but also complement UNCTAD's work and help provide development-oriented solutions. Several participants drew attention to the importance of partnerships between civil society, the private sector and Governments, as cross-fertilization could be beneficial for all parties involved. Some participants added that civil society should participate more in substantive discussions at intergovernmental meetings, including those related to the Mid-term Review and the preparatory process for UNCTAD XII. Stronger interaction with civil society would help UNCTAD identify ways to translate political solutions into concrete actions. The hearing should be seen as a process, and opportunities for civil society to interact and work closely with member States and the UNCTAD secretariat should be more systematic and therefore planned throughout the year.

***Has trade been the best means for development? How can countries best meet their employment objectives?***

5. Concerns were expressed about the challenge that globalization and trade liberalization represented for employment and working conditions. Although member States had made certain commitments in this regard at the World Summit and ECOSOC's High-level Segment, improvements were still needed in both quantitative and qualitative terms, particularly with reference to decent working conditions and employment for women and young people. Trade liberalization had affected stability of employment, as in many cases it had led to job destruction, unequal distribution of globalization gains, uneven distribution of income, and progressive worsening of workers' bargaining power. A call was made for a mind-shift in policy approach: trade liberalization should not be seen as a goal in itself, but rather as a tool to achieve employment objectives. These issues remained firmly within the realm of UNCTAD's work, particularly its work in relation to corporate social responsibility. In this regard, UNCTAD should work to promote more policy space for developing countries, including the possibility to use tariffs, ensure proper impact assessment of trade policy measures, promote a move from competition for jobs to a more multilateral approach, and advocate decent work conditions.

6. The importance of looking at the gender and trade perspective was also highlighted, particularly in view of the greater participation of women in the informal sector and in micro-enterprises and self-employment. A call was made for work to be done in the future on migration and remittances.

7. Convincing data existed to show that trade had been an important route for achieving poverty reduction and development for developing countries. However, in order for trade to be effective, the multilateral trading system should be democratic and dynamic, responding to all circumstances and addressing existing imbalances; it should take care of the unrepresented silent majority (workers and farmers); and it should take the human dimension into account. Constraints on the consumer side should also be addressed in order to promote production for domestic markets.

***What is the role of the development of productive capacities and its importance in poverty reduction? Why is the present aid system in Africa not working?***

8. Discussants pointed out that the link between trade and poverty reduction was not conclusive and that the benefits from trade in developing countries and LDCs accrued to only a few economic actors. Participants agreed that many small farmers and micro and small enterprises did not participate in international trade flows because of lack of economies of scale, poor managerial skills, obstacles raised by safety and quality standards in developed-country markets, and inability to market their products. In this context, more incisive intervention in building productive capacities was considered a key issue.

9. Participants made reference to both the *LDC Report* and the *Trade and Development Report* in order to question Governments' positions on critical issues such as the policy "paradigm shift" that the *LDC Report 2006* advocated in order to build productive capacities.

10. It was stated that both the *LDC Report* and the *Trade and Development Report* challenged current trade policies and the direction Governments and institutions had taken with respect to their development policies. Some participants indicated that the *LDC Report* could be a very useful tool for outlining donor strategies on Aid for Trade. The *Trade and Development Report 2006* had highlighted the need for proactive trade and industrial policies. Importance was attached to the role of the state in this process and to the need to focus on strengthening institutional capacities and relaxing the restrictions imposed by multilateral agreements on national policy space. Many participants underlined the importance of education in building productive capacities, as well as in engaging in the knowledge economy. Providing infrastructure was also fundamental for sustained economic growth and poverty eradication.

11. The importance of Aid for Trade was underlined, and questions were raised about when and how this issue would be further clarified and about the channels through which aid would be conveyed. However, the basic issue was not considered to be aid for trade but fair trade and how far Governments shaping globalization would be ready to go in terms of lifting trade barriers. Developing countries needed to identify, prioritize and address their supply-side constraints. The issue of aid was of particular importance for Africa, which remained marginalized in the international economy. In the past, resources had been wasted because of political issues and conditionality. Aid should lead to wealth creation, human resources development and reduction of poverty in order for the continent to move from being a source of raw materials to industrialization. Six years after the appeal by UNCTAD for a doubling of aid for Africa, it must be asked how this additional aid would impact trade in African countries. While most support had been provided on a government-to-government basis, it was suggested that there should be more focus on support from government to the private sector and from the private sector to the private sector.

12. Developing countries should have solid democratic institutions to respond to the needs of people. In addition, it was important to address the problems of countries in conflict and to make sure that investment flowed to countries that had just emerged from conflict. Certain kinds of trade undermined stability and were worth studying, such as human trafficking, drug trafficking and terrorism financing.

13. In the discussions, it was emphasized that UNCTAD could become a more effective vehicle for building productive capacities, enhancing political engagement in the context of global governance, and achieving poverty reduction for the developing countries if it

reinforced its role in encouraging FDI inflows and building a vibrant and competitive private sector, especially in Africa. In particular, UNCTAD could assist in evaluating of the aims of the New Partnership for Africa's Development (NEPAD) and identifying ways to help the initiative achieve its stated goals. Efforts should be made to encourage FDI inflows to countries (such as Liberia, Sierra Leone, the Democratic Republic of the Congo and others) that were just emerging from conflicts to enable them to rebuild their productive capacities and achieve rapid, sustained and broad-based growth for development and poverty reduction. In this connection, UNCTAD should assist in promoting micro and small enterprises and in promoting the exchange of best practices in investment.

14. In terms of other initiatives for investment in Africa, attention was drawn to the EU/Africa Partnership on Infrastructure. This Partnership responded to the development goals of the African Union and the NEPAD initiative and aimed to substantially increase EU investment in African infrastructure and the delivery of transport, energy, water and ICT services. Improving infrastructure, the related services and the regulatory framework would contribute to sustainable economic growth, promote competitive trade, create employment and decent work, foster regional integration and reduce poverty. The process of achieving these objectives and ensuring more investment inflows would depend on sustained efforts to improve peace and security and governance.

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