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Report on the second UNCTAD Public Symposium

Responding to global crises: New development paths

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Annex

Summary of the eight breakout sessions

A. Breakout session 1: The global economic crisis and developing countries: Impact and response

1. Oxfam International presented the findings of its research on the global economic crisis. This research had involved 12 countries, 2,500 individuals, and studies by a range of universities and international organizations.

2. According to the research, the crisis had affected poor people and people in developing countries worldwide with a depth and complexity and in a diversity of ways that made it impossible to make easy generalizations about the impacts of the crisis and about patterns of resilience and vulnerability.

3. The research also showed that countries and households had been dealing with the economic crisis better than expected, with families supporting each other, sharing food, information and money, and keeping children in school.

4. In view of the results of the research, the session explored the limits of resilience for families and nations, in the context of ongoing shocks. The findings on fiscal impacts in poor countries showed that budgets in 2010 were being cut on average by 0.2 per cent of gross domestic product (GDP); two thirds of the countries for which social spending details were available were cutting budget allocations in one or more of the priority social sectors of education, health, agriculture and social protection; and education and social protection were being particularly badly affected, with average spending levels in 2010 lower even than those in 2008.

5. Oxfam stated that the policy implications and lessons from the research showed that Governments should plan for crises before they occurred and should monitor their impacts; they should support local-level coping mechanisms and initiatives to support equality; and post-crisis, they should replenish resilience and ensure sustained support from donors and international financial institutions.

6. The United Nations Children’s Fund (UNICEF) called on Governments to maintain, as a priority, the focus on social spending in essential services and agriculture, and proposed that this be done by increasing the fiscal space of Governments through taxation on natural resources and the financial sector. This taxation should be progressive, and not regressive. The International Labour Organization (ILO) noted that the top priority to get out of the crisis should be job creation through structural investment in social protection, agriculture, social security, health and education.

B. Breakout session 2: Innovative financing mechanisms (e.g. special drawing rights, new reserve systems and financial transaction taxes)

7. This session examined proposals for innovative finance. Many of the suggestions were for new taxes, such as a financial transaction tax (FTT), the financial activities tax (FAT) proposed by the International Monetary Fund (IMF), and special drawing rights (SDRs) – reserve assets created without cost by IMF and distributed to member countries in proportion to their quotas.

8. The session noted that an FTT could be a good source of funds and a disincentive to excessive financial speculation. An FTT could be applied to all financial transactions (including purchases of stocks, bonds, derivatives etc.) at a low rate, such as 0.05 per cent, and could be collected by Governments with the proceeds devoted to public goods, split between domestic and international funds. Concerns about FTT proposals included how it would affect developing-country markets and banks, its impact on Caribbean “tax haven” countries, and whether consumer transactions such as remittances would be exempted.

9. On the subject of SDRs, it was pointed out that a general allocation worth $250 billion was made in April 2009 in response to a call from the G-20. Countries could maintain SDRs as reserves bolstering their creditworthiness, freeing up other reserves for expenditures, or could convert them to cash at the cost of a small recurring interest fee. The reforms suggested for SDRs included targeted allocations which would go to countries on the basis of need rather than quota, or donations of rich countries’ “idle” SDRs to countries with greater need.

10. At the session, Mr. Pedro Páez, former Ecuadorean Minister of Economic Coordination, offered a wide-ranging response which included calls for the use of SDRs at the regional level to strengthen new regional architectures, immediate bans on short selling, and limits on speculative positions on credit default swap (CDS) contracts, hedge funds etc. It was noted that the emergence of the “G-192 process” at last year’s United Nations conference on the financial crisis had succeeded in rupturing the traditional approaches both of IMF and of the United Nations. One of the early results had, in fact, been the call for the SDR allocation.

C. Breakout session 3: Is there development in trade agreements? A look at the Doha Development Agenda and free trade agreements

11. This session was led by the South Centre, by Third World Network and by 3D Trade–Human Rights–Equitable Economy. The objective of the session was to exchange views on whether the Doha Round and international trade agreements were leading to effective development outcomes, and to recommend strategies for the way forward. The session focused on the areas of non-agricultural market access (NAMA), services, implementation issues and human rights.

12. It was noted that NAMA tariff cuts were higher than those in agriculture, and that developing countries had higher tariff cuts than developed countries due to the Swiss formula. It was stressed that the adoption of the Swiss formula was part of a broader package that contained other elements vital to ensuring that results in NAMA negotiations were respectful of the principles of special and differential treatment and of less than full reciprocity. It was stated that some countries had complicated the Round further by putting more issues on the table that were not originally in the Doha mandate.

13. With regard to services, it was recognized that the General Agreement on Trade in Services (GATS) had some ingredients conducive for development, such as recognizing least developed country (LDC) concerns, and the positive list approach. Conversely, the domestic regulation negotiations, which aimed to prescribe the way to regulate, did not conform to most developing-country interests and would in fact negate the developmental content of GATS. The session cautioned that liberalization would not work if domestic services capacity was limited, and recommended monitoring and operationalizing article IV of GATS.

14. With regard to issues of implementation, speakers noted the many outstanding issues from the former Round, while stressing the importance of local content requirements to

create intra-industry linkages and/or domestic supplier networks. Such requirements could in fact attract foreign direct investment (FDI) as foreign manufacturers sought to "jump the fence". Other issues highlighted were Trade-related Aspects of Intellectual Property Rights (TRIPS), antidumping, safeguards, and implementation of the Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) agreements. Members of the World Trade Organization (WTO) were called upon to opt for an "early harvest" of the implementation issues.

15. On human rights, cotton subsidies by developed countries were cited as the reason for the cotton sector in West and Central Africa slowly disappearing, threatening the livelihoods of almost 20 million cotton farmers and their families. Given that WTO negotiations and litigation had not engendered the required policy change, the way forward was to continue promoting a human rights approach to trade. Applied to trade agreements, this included assessing the distributional gains and losses from trade liberalization, and the development of a normative framework to judge the effects of trade rules and to ensure that the policy space offered in WTO was actually being used by WTO members.

D. Breakout session 4: Is there a role for the LDCs in reshaping global economic governance?

16. The session was led by the Consumer Unity and Trust Society (CUTS International) in collaboration with UNCTAD. The session looked at the role that the least developed countries (LDCs) could and should play in the debates on the reform of global economic governance and in reshaping it to better reflect their own development needs and aspirations.

17. The session identified two formidable challenges faced by LDCs in relation to global crises and global economic governance: (a) the lack of capacity and resources in LDCs to absorb the severe shocks emanating from failures of international policy and institutions, which could wipe out their scarce development gains; and (b) their marginalization in all the debates related to global economic governance reforms. While LDCs were the most vulnerable to the adverse effects of the crises, they remained the least represented in the forums and mechanisms responsible for dealing with them.

18. Speakers highlighted the need to formally consider issues affecting LDCs and low-income countries by providing them with a seat in such forums as the G-20. They called for the impact of G-20 policies to be taken into consideration, including by emerging markets, and highlighted the need to consider the development impact on LDCs and low-income countries when deciding on or implementing global policies. With regard to issues related to climate change, speakers stressed the need to move beyond needs assessments to a more dynamic framework that would ensure technological transfer to LDCs in support of action on adaptation and mitigation.

19. The discussion noted that the gap between aid commitments and aid disbursements was getting wider, and was tied up with security issues. Geographical allocation of aid had also resulted in the most needy getting less aid. It was pointed out that the free market philosophy favoured the strongest, who prospered while the weaker nations become worse-off. A call was made for a prioritized and concerted effort with a holistic approach, which would ensure that all issues affecting LDCs would be effectively addressed by the Fourth United Nations Conference on the Least Developed Countries (UNLDC IV).

E. Breakout session 5: Improving food security in the face of climate change

20. This session, led by CUTS International, focused on the challenges that food security and climate change presented for developing countries.

21. It was stated that the food crisis of 2007–2008 was not due to a lack of food, but to a lack of purchasing power on the part of the poor. The world food system – made up of actors dealing with food production and with national and international rules setting the framework for their actions – was not providing food for all. Speakers noted that climate change would impact on food security due to changes in agricultural productivity and extreme weather events. It was expected that there would be further pressure on food security due to increasing populations and changing food habits resulting from economic growth in developing countries.

22. It was noted that trade policies could be critical in providing incentives and disincentives for investment in agriculture, and similarly, climate change policies could improve or distort trade flows and investments. Agriculture could contribute to climate change mitigation through carbon sequestration and reducing emissions. Reformed land practices could lead to more production, and would be good for climate change adaptation and mitigation. However, substantial increases in agricultural production, productivity, and investment were needed. Furthermore, a systemic reform of global agricultural trade was needed to discipline the subsidization by developed countries.

23. In the ensuing discussion, participants discussed how focusing on enhancing soil fertility would be beneficial, and how African countries could not be asked to ensure food security by increasing their food imports, due to their large trade deficits, adverse terms of trade and limited foreign exchange reserves. Participants agreed that top priority should be given to food security and to promoting sustainable agriculture, and that policy coherence and coordinated processes across trade, food security and climate change were needed.

24. In the concluding remarks, two main points from these discussions arose: firstly, that a large part of the action agenda related to these issues was national, and secondly, that the issues were complex and required in-depth discussions among all stakeholders.

F. Breakout session 6: To green or not to green: Challenges and opportunities for development and decent work

25. It was stated that as the climate crisis was advancing, it was also providing an opportunity for the creation of green jobs, which would mitigate and reverse its effects. This new sector of the economy should not be allowed to develop structural deficiencies in terms of workers' rights and women's representation. These jobs, however, would not arrive automatically. The session identified the need for a major investment plan in green infrastructure, technology, human resources development, and production, in order to materialize decent green jobs and guarantee a just transition to a low-carbon economy, after full consultation with the social partners. More research on the impact of greening existing jobs and the creation of new green jobs was needed.

26. The session referred to some of the research that had already been carried out in that area. It was thus pointed out that in Germany, the assessments showed that if the country invested in renewable sources, then by 2020, 12.7 per cent of the working population would be employed in such positions. If not, then the green private sector would account for 8.3 per cent of total jobs. Research in the United Kingdom showed that many jobs would be created there; however the GDP would be between 0.25 and 0.82 per cent lower per year.

Nonetheless, this investment was necessary as the costs and consequences of climate change exceeded the costs of investing in it.

27. The session concluded that in order to put the decent work and green jobs agendas forward, UNCTAD could provide regional platforms for developing decent green jobs, as well as best practices that would help countries to implement them. WTO could also contribute by eliminating tariffs on environmental products and by initiating an environmental dimension in the negotiations. Finally, the countries should provide incentives in the form of subsidies, tax breaks and other supportive measures for the rising green economy.

G. Breakout session 7: Responsible investment in agriculture: Sustainable and people-centred approaches

28. This session was moderated by 3D Trade–Human Rights–Equitable Economy and by the International Institute for Sustainable Development.

29. The session heard that private investors, transnational corporations and governments had been leasing tracts of arable land in Africa and Asia to produce food and biofuels for export back home. These deals were often arranged in secrecy and without the participation of the local communities who owned or used the land being negotiated. The consequence of this situation was that often, such agreements neither benefited local farmers nor contributed to domestic food security.

30. To address some of the concerns that had arisen in that context, the World Bank, together with the Food and Agriculture Organization of the United Nations (FAO), the International Fund for Agricultural Development (IFAD) and UNCTAD had formulated principles for responsible investment in agriculture. Similarly, the Special Rapporteur on the Right to Food had proposed a set of principles based on international human rights law, alongside other international initiatives.

31. The session noted that applying a human rights framework to investment in agriculture could help improve people's livelihoods. The proposed guidelines were voluntary and did not protect the rights of small-scale farmers and others affected. While investors could rely on hard law and enforceable rights to protect their investments, local people's land rights were often ignored or non-existent. Moreover, the World Bank (through the International Finance Corporation (IFC) and the Foreign Investment Advisory Service (FIAS)) and the governments of developed countries were promoting foreign investment in agriculture and liberalization of domestic land markets, contradicting the principles.

32. As a way forward, a moratorium should be considered for countries where large tracts of land are negotiated. The principles should be operationalized and model contracts and other tools should be established for Governments, based on the existing work carried out by IFAD and FAO. Development funding for agriculture should be tied explicitly to the principles, and impact assessments with regard to human rights and social and environmental standards should become mandatory before land deals are negotiated or implemented. National policies to protect the land rights and other rights of local peoples must be ensured. Finally, Governments should play a predominant role in developing agriculture and should allocate public resources to the sector, rather than supporting export-oriented agricultural production.

H. Breakout session 8: Too hot to handle? How to bridge the climate justice and global economic reform agendas?

33. This session was led by UNCTAD and the United Nations Non-Governmental Liaison Service (NGLS) and explored the political complexities and strategic opportunities presented in balancing a fair climate deal with the systemic economic reform agenda articulated at the United Nations since 2009. The urgent need to finance large investments to meet interrelated socio-economic and climate threats provided the basis for a shared dialogue.

34. The lead speaker noted that in light of the disappointing results of the Copenhagen Summit, there were three possible bargaining models for future climate talks:

(a) **A grand coalition by the G-192** (operating through the framework of the United Nations Framework Convention on Climate Change (UNFCCC)): An inclusive intergovernmental model that was disrupted in the build-up to Copenhagen.

(b) **A coalition of the willing** (based on the Copenhagen Accord): A framework signed by a very small number of powerful countries which may also serve as an instrument by stronger countries to coerce weaker ones into agreement.

(c) **A "truly grand bargain"**: The third scenario brought together reform of the international financial architecture and a climate change deal. It could be less politically costly than options a and b, while dramatically scaling up the capacity of the international community to mobilize the level of resources required for a fair climate deal.

35. The third option was based primarily on the much more extensive and equitable use of special drawing rights, as had been discussed in the context of the United Nations global economic reform agenda since 2009. SDRs provided the possibility of issuing an international reserve currency that could act as a backup for increased emission of domestic currency to finance the "great leap" investments needed for transition to high-growth low-carbon development paths.

36. An alternative perspective advocated the use of "global SDRs" to play the role of "lender of last resort" to back regional currencies ("regional SDRs"), which, among other things, could fulfil similar functions of providing liquidity for local investments in climate-change adaptation and mitigation.