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Agenda item 7

**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD  
ON ITS TWENTY-THIRD SPECIAL SESSION**

Held at the Palais des Nations  
from 3 to 10 October 2006

Rapporteur: Mr. Levan Lomidze (Georgia)

**Globalization for development**

Speakers:

Minister of Trade of  
Kenya

Minister, Chief  
Negotiator, Dominican  
Republic

Ambassador of Brazil to  
the United Nations at  
Geneva

**Note for delegations**

This draft report is a provisional text circulated for clearance by delegations.  
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## GLOBALIZATION FOR DEVELOPMENT

### (Subtheme 1)

1. **H.E. Mr. Mukhisha Kituyi, Minister of Trade of Kenya**, commented on a number of important issues, organizing his discussion under two broad topics: first, the asymmetry in benefits and costs of globalization; and second, multilateral versus bilateral trade agreements. He said that the challenges and benefits of globalization had been asymmetrically distributed among countries as well as among sectors: a distinction could be made between those developing countries that had managed to derive substantial benefits from globalization (especially China and East Asia) and those that had benefited less. Challenges also included the emigration of skilled and unskilled labour from developing to developed countries. The ability of international agreements to address domestic support and market access was important for the creation of an equitable trading system. He noted that the rules for securing trade relations were not analogous to the rules for promoting equitable trade. UNCTAD had a significant role in research and analysis on (a) coherence between national policies and international rule-making, (b) how to make international rules development-friendly, and (c) fairness in trade relations and economic liberalization processes. Regarding the relationship between multilateral and bilateral trade agreements, he raised a number of critical questions. To what extent could bilateral trade agreements replace multilateral agreements under the WTO regime? He made it clear that bilateral agreements could not deal with multilateral structural imbalances. How could the WTO increase its credibility? While the WTO had been successful in creating rules to facilitate trade, the question remained as to how well it had incorporated justice into the trade rules so as to make them sustainable. Other issues included how the international community should translate various initiatives (such as those of the Blair Commission) into a coherent global approach and how to address coherence challenges in policies among the Bretton Woods institutions as well as within Governments themselves.

2. **H.E. Julio Ortega Tousbegain, Minister, Chief Negotiator and Executive Secretary of the National Commission for Trade Negotiations, Dominican Republic**, said that in a world of inequality with so many obstacles to trade, developing countries had faced serious challenges in integrating themselves into the world economy. They had undertaken policy measures suggested by donor countries and institutions, and as a result, their economies had become more open, the majority of their national enterprises had been privatized, public expenditure had been drastically curtailed and the stability of their monetary system had been enhanced. Developing economies believed that they could participate in trade negotiations with developed countries on an equal footing. Those economies, in particular small and vulnerable ones, such as in Latin America and the Caribbean, had begun to realize that globalization had widened the development gap.

3. Recent projections had shown that the achievement of the Millennium Development Goal of poverty reduction would not be possible. Meanwhile, many developing economies had continued to face various risks associated with the instability of trade flows and the asymmetry of policy commitments resulting from the Uruguay Round. The Uruguay Round Agreements had complicated the situation of developing countries in the highly competitive world markets since modern production processes would not allow the development in those countries of the necessary mechanisms that would enable them to enjoy the benefits of the new trade architecture. While trade could play a major role in economic development and poverty reduction, it would not always offer the best opportunity for developing countries. In view of the suspension of multilateral negotiations, developing countries should find common

ground to reconcile globalization and development, by placing themes such as Aid for Trade, special and differential treatment, the elimination of agricultural subsidies, the recognition of asymmetries between countries and food sovereignty on the agenda of their demands. To build a link between the benefits of globalization and genuine development would be a real challenge. With its ultimate role of promoting the integration of developing countries into the world economy in a manner favourable to their development, UNCTAD should do its utmost to carry out its functions, which had been grouped into three pillars: consensus, policy analysis and research, and technical assistance.

4. **H.E. Mr. Clodoaldo Hugueney, Ambassador of Brazil to the United Nations Office at Geneva**, focused on four key issues. The first of these was the benefits and challenges of globalization: although globalization could contribute to development, higher growth rates and even poverty alleviation, results had been mixed. Referring to asymmetry in reaping the benefits of globalization, he said that the latter had benefited countries and sectors in varying degrees, as seen in the concentration of FDI flows and in diverging rates of growth. In the agricultural sector, the developed countries could insulate their internal agricultural sector from the effects of globalization, wishing to have a free ride on the waves of globalization and the opening up of the industrial and services sectors in developing countries. Thus benefits and challenges must be judged against the weight given to the opening up of the various sectors. Relevant questions included how to sustain the forces of globalization in a more symmetrical manner, how to optimize benefits and reduce costs, and how to avoid crises and solve imbalances in the global economy.

5. The second key issue was the new international economic geography of the world: the growth rates in the developing countries as a whole were, for the first time, higher than those in developed countries. If this trend persisted, it would result in a growing share in world trade and world GDP for the developing countries, and this would mean a major power shift from the developed to the developing countries. The developing countries would thus have a greater role to play. The challenges of globalization would be posed in terms of market openings, the absorption of newcomers, growing protectionism and the application of trade rules. Trade rules should therefore be applied in an equitable manner. The new international economic geography had also created major opportunities for South–South cooperation and investment, where the GSTP should be promoted for trade flows between developing countries.

6. The third key issue was the contribution of international trade negotiations to development. The speaker reiterated the need to resume the Doha negotiations, for a world of bilateral trade deals would be worse than one with a multilateral trade regime. This was because the latter could provide stability, while the former could not properly address domestic policies. Development must be the central concern of the international trading system and could no longer be seen as an exception in trade rules. The coordination of developing countries' groupings in the negotiating process, be they G-20 countries, LDCs or others, was important.

7. The fourth key issue was coherence and the role of UNCTAD in creating a better world order. The speaker shared the view of the other two panellists that the organization had a major role to play in shaping a coherent system and global governance, because of developing countries' increasing economic power, and because of UNCTAD's broad view of economic issues and essential focus on development. All these were central to shaping coherence and structuring global governance. UNCTAD should work through its three

pillars, namely research, consensus building and technical assistance. Debates should focus on policy space, with UNCTAD proposing policy options and new paradigms on, inter alia, trade-related aspects of investment and South–South trade, taking into account the divergent needs of countries; moreover, debates should present best practices. In conclusion, it should be recognized that development issues could not be solved by means of trade liberalization alone and that developing countries were of major importance in the world economy.

### **President's summary**

8. The most fundamental issue raised during the interactive debate was the assessment of globalization, particularly its effects on the world economy and national economies. It was commonly understood that globalization had been promoted by, besides other factors, technological advancements in the fields of international communications and transportation, which had promoted freer cross-boundary movement of goods, services and finance but to a lesser extent labour. However, globalization had not been an "inclusive" process, and many countries, particularly the least developed, had been excluded from the process. Since opportunities and challenges brought about by globalization had been unequally distributed among countries, resolving that inequality represented the core issue in managing the forces of globalization and stabilizing the world environment for sustained growth.

9. Some delegates underlined that globalization reflected neo-liberal policy measures of individual countries that had been promoted by donor countries and international institutions, such as the Bretton Woods institutions and the WTO. The fact that the Washington Consensus (one-size-fits-all) policy had often failed demonstrated the importance of Governments coming up with country-specific development strategies. Some delegates complained that despite the campaign for freer trade, developed countries still retained barriers to trade against exports from developing countries. Some delegates took the view that free trade and market liberalization alone would not make possible the successful achievement of the Millennium Development Goals (MDGs), particularly poverty reduction. A few delegates stated explicitly that the attainment of the MDGs would be unlikely for the majority of African countries.

10. Some delegates warned that there was a trend towards emphasizing negative aspects rather than positive aspects of globalization, and that the role of the private sector (including TNCs) as a partner to cope with the challenges and benefits of globalization should be discussed. The private sector had no ideology and was basically willing to go wherever profits could be made, which would provide equal opportunities for all. Thus Governments should take responsibility for creating the right conditions to attract FDI. On the other hand, one delegate stated that trade and FDI did not in themselves represent development – they were only tools for development.

11. For some delegates, the suspension of the Doha Round negotiations was reason for great concern, and they called for the early resumption of the negotiations, saying that bilateral or regional trade agreements could not replace multilateral agreements. However, improved market access alone would not be sufficient, as it would not automatically lead to increased exports by developing countries. Consideration should be given to enhancing the productive capacity of these countries. In this regard, many delegates were hopeful about the contribution of the new multi-agency Aid for Trade initiative and UNCTAD's involvement in the implementation of the Aid for Trade programme.

12. While delegates underlined the importance of the three pillars of UNCTAD, namely research and policy analysis, consensus building, and technical cooperation, they placed different emphasis on different pillars. In the area of research and development, one delegate stated that UNCTAD should analysis various strands of globalization and their interlinkages. With regard to the important consensus-building role of UNCTAD, one delegate emphasized that consensus must be based on the presentation of arguments, data and evidence on the development of developing countries in the process of globalization. A few delegates also suggested the establishment of a new international committee on globalization and development, so that the debate on this theme would be encouraged further in the future.

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