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PREPARATORY COMMITTEE FOR UNCTAD XI

Summary of the Hearing with Civil Society and the Private Sector¹

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¹ The chronological order of the contributions has been changed in order to reflect presentations under the topic to which they refer.

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Roundtable I

Subthemes 1 and 2:

- Development strategies in a globalizing world economy
- Building productive capacity and international competitiveness

Topic 1: The appropriate balance between public policy intervention and the market

1. The Chairperson of Roundtable I introduced topic 1, which focused on the question of achieving a balance between public policy intervention and the market, the factors determining the “appropriate” balance, and what forms of international cooperation were required.

Discussion

2. **Mr. Mike Waghorne, Public Services International (PSI)**, emphasized the specificity of every country’s experience and the fact that the balance between public policy intervention and the market could not be considered using a one-size-fits-all approach. Indeed, each developing country should remain free to follow its own coherent development path in accordance with the local context. Therefore, it was necessary to define criteria for the speed and levels of development in order for each country to fulfil its own needs.

3. **Ms. Kristin Dawkins, Institute for Agriculture and Trade Policy (IATP)**, underscored the problem of commodity prices. She noted that developing economies depended greatly on their export earnings, as the terms of trade had deteriorated for developing countries, hampering domestic investment and debt repayment. The issue of export subsidies and agricultural support in developed countries must be tackled so as to reverse this situation in developing countries. However, the removal of subsidies would not be sufficient for the development of farming in the South. Therefore, because of the specific way primary markets were balanced, UNCTAD should focus on appropriate analytical and policy development work on commodity price setting within the scope of the Millennium Development Goals (MDGs). Research and policy analysis might help stabilize commodity prices, ensure competitiveness and achieve economic goals.

4. **Ms. Lorraine Ruffing, World Association for Small and Medium Enterprises (WASME)**, highlighted the many difficulties for small and medium-sized enterprises (SMEs) in coping with market failures. Given the current concern regarding support policies for SMEs in developed countries, it seemed important for UNCTAD to support domestic entrepreneurship in developing countries. UNCTAD XI must contribute to supporting the necessary development of SMEs’ productive capacity of within a balance between macroeconomic and microeconomic policies.

5. **Ms. Elisabeth Clement-Arnold, International Federation of Business and Professional Women (BPW International)**, focused on the condition of women in the above context. Their role in the development of capacity building must not be understated, and public policies needed to facilitate women’s access to finance and company management.

6. **Mr. John R. Gagain Jr., Global Foundation for Democracy and Development (FUNGLODE)**, pointed out the urgency of the MDGs and the need for UNCTAD to play a proactive role so as to promote a more socially equitable environment through public policy intervention in market mechanisms. To take the example of the Dominican Republic during the 1990s: this country

had the fastest economic growth in the Latin American region. Income per capita more than doubled in a stable macroeconomic context. However, this occurred in contrast to relatively poor social spending. Globalization must be more profitable for developing countries and societies, and specifically for least developed countries (LDCs) and small island developing states (SIDS). UNCTAD and civil society needed to get involved in the implementation of the MDGs.

7. **Ms. Iara Pietricovsky de Oliveira, Institute for Socio-economic Studies (INESC)**, said that the fragility of state authorities made it impossible to think of any balance between public intervention and the market. Therefore, the reality was much more complex, since many countries did not have the effective capacity to develop their own policies, specifically in the fields of trade and finance. Moreover, the notion of coherence in fact had several meanings, according to the nature of the actors using it. The International Monetary Fund (IMF) and the World Trade Organization (WTO) considered coherence to be the harmonization of national policies with the international framework, whereas non-governmental organizations (NGOs) saw it as a way to respond to the needs of poor countries. Thus, UNCTAD's role must be rooted in a development perspective and take into account the impacts of the financial and debt crises and the weakness of developing economies. UNCTAD must help to break the vicious cycle of debt, deficits and poverty in developing countries. The speaker criticized the ambiguous nature of debt relief strategies and called for restructuring debt or for its total cancellation.

8. **Mr. Marcelo Linguitte, Institute for Business and Social Responsibility (ETHOS)**, referred to the role of transnational corporations in development and economic growth in the developing countries. In this context, national governments had to set up the action framework of companies in accordance with the MDG principles and taking into account the need for sustainable development. The speaker also drew attention to the corporate social responsibility of multinational firms in providing any support to the development of SMEs.

9. **Mr. Martin Khor, Third World Network (TWN)**, stressed the limits of the Washington Consensus in terms of development and the impact of crises resulting from IMF recommendations. He also highlighted the fact that globalization had diverse impacts on development according to the specific context of each developing country. Some countries might find benefits if the conditions were right, but other countries that opened themselves to integration prematurely could find it damaging. Therefore it was necessary to look at globalization in terms of trade, finance and investment in each country and then at the relationship among the factors of development. The challenge would be how to project this at the national and international level. It was wrong to believe that opening to trade automatically improved welfare. Globalization had increased the need for a more integrated approach to trade and development. For this reason, UNCTAD, civil society and governments had to find alternative policies and should make an effort to find the appropriate balance by sequencing economic policies. The issue of commodities had to be revisited at UNCTAD XI as one of the key trade problems in developing countries.

10. **Ms. Conchita Poncini, International Federation of University Women**, asserted that the participation of women must be increased in the labour force, in the informal sector and in non-traditional agricultural production, by changing the male paradigm. The gender issue had to be incorporated into the development approach by changing the methods of production, via the educational process and via technical assistance. UNCTAD's technical assistance should ensure that both men and women benefited from it.

11. **Mr. Rogate R. Mshana, World Council of Churches**, said that the World Bank and the IMF had been putting more pressure on developing countries than on developed countries by imposing

restrictions on the actions of Governments. Therefore, UN system organizations and especially UNCTAD had to play a more active and responsible role in the field of making economic and trade rulings. UNCTAD should carry out studies on alternatives to the neo-liberal paradigm. He expressed his concern about the debt issue, contending that a long-term solution was required.

12. **Mr. Jack Bigirwa, Uganda Coffee Farmers Association**, said that LDCs, which were often left out of the discussion, should be given special consideration and treated according to their level of development. Many LDCs depended completely on agriculture and struggled to feed themselves. UNCTAD had to play an important role in dealing with the issue of commodity prices.

13. **Ms. Carla Coletti, International Metalworkers' Federation**, said that UNCTAD should work for a new financial architecture and not be driven by donors. Developing countries should be making their own choices, as developed countries did. Coherent policies on working conditions were needed.

14. **Mr. Henri Rouille d'Orfeuil, Coordination Sud**, suggested that UNCTAD perform an assessment study on the impacts of trade liberalization, including all trade agreements. This study should be independent from the WTO and made in a very transparent way.

15. **Mr. José Bové, Confédération Paysanne**, addressed the need to develop alternatives to the current multilateral trading system (MTS), particularly with regard to agricultural products. The current system had so far not benefited the poor. Most farmers had little or no revenue, as agricultural policies were based only on trade. UNCTAD and the United Nations had to take up these issues and to affirm the right of countries to food sovereignty as well as to protecting themselves from dumping. By and large, UNCTAD and the United Nations had lost their capacity to impose policies; these were determined by the World Bank and the IMF through financial power, whereas state policies were being undermined. Special provisions were needed for developing countries, including in areas such as water supply, biodiversity, etc. that did not belong to the market.

16. The representative of **Pakistan** said there was a need to look at the issue of development through a different lens, by taking into account a human-centred approach based on the MDG criteria. In this context, States had an important and responsible role to play, and this role must be increased. As for UNCTAD XI, it was essential to reach an international consensus on this approach for development and on the idea that development was a mutual responsibility. UNCTAD should reaffirm its role as the guardian of the development conscience worldwide.

17. The representative of **Bangladesh** said that textbook economics did not work and the world was full of inconsistencies. Given that different levels of development called for different paths, there was a need to look for a way to mainstream the situation at the national and international levels. The Asian crisis had shown that States had an essential role to play in trading and financial issues. However, controversy surrounded the question of to what extent government should intervene. It was considered that for every successful economy there was a targeted public intervention. However, in the context of international regulations this possibility was reduced, although countries needed policy space.

18. The representative of **Senegal** referred to an interview with M. Bourguignon, Chief Executive of the World Bank, where the latter had asserted that his institution was less inclined to impose trade liberalization. The recognition of the failure of neo-liberal policies for development motivated civil society to look for a more equitable system. Fighting poverty was both a national and an international problem. UNCTAD's role was now more useful than ever, and the organization could use its high degree of competence and analytical expertise to help implement the MDGs.

19. The representative of the **European Union** supported the view that the one-size-fits-all approach must be avoided. Therefore, policy analysis for a balance of state and market interests was considered particularly vital.

Topic 2: Strengthening UNCTAD

20. The topic was introduced by the Chairperson of the session. The discussion focused on the key challenges that UNCTAD should address with regard to trade, money, finance and development.

Discussion

21. **Mr. Martin Khor, Third World Network**, said that UNCTAD should be at the centre of the intersection between national policy and globalization. Since its creation, UNCTAD had been the catalyst for international consensus on policies conducive to national development, and no other UN agency had played this role. In today's context of globalization, UNCTAD's role was more important than ever – not only in the UN system, but also within the wider international community, including the World Bank, the IMF and the WTO, since national policies were increasingly determined by international rules.

22. There was a need to revive the three pillars of UNCTAD: (a) international consensus building: Northern countries were urged to give UNCTAD a chance, and Southern governments were called on to give UNCTAD great priority; (b) research and policy advice: the UNCTAD secretariat needed to be strengthened; and (c) technical assistance: UNCTAD should carry out its work independently and choose its own issues instead of being donor-driven. In the field of technology, UNCTAD's activity should be revived in the areas of technology transfer and intellectual property rights (IPR). UNCTAD should also help small firms and farms to stay competitive.

23. **Mr. John R. Gagain Jr., Global Foundation for Democracy and Development**, said UNCTAD should open itself up to full participation by NGOs in the preparatory committees as well as within the framework of UNCTAD XI. It should also seek input from academia and research institutions based in developing countries. The work of NGOs should complement the ongoing mainstream work of UNCTAD.

24. **Mr. Rogate R. Mshana, World Council of Churches (WCC)**, stressed the importance of political will and called for more financial support to UNCTAD to carry out its mandate. He also emphasized that the outcome of the conference should contain enforceable measures.

25. **Mr. Jon Barnes, Consumers International**, drew attention to the demand side of the economy and called on UNCTAD to carry out studies on consumer protection and on the importance of regulation in this field. UNCTAD was called on to promote the consumer awareness guidelines it had recently compiled.

26. **Ms. Carla Coletti, International Metalworkers' Federation**, said that UNCTAD should ensure policy coherence across the UN system and the international community. Employment must be considered an important mechanism for a more sustainable development. UNCTAD was in a unique position to promote quality employment and help developing countries implement their own employment-oriented policies.

27. **Mr. Rudy De Meyer, Coalition of the Flemish North-South Movement**, noted the narrow mandate of UNCTAD and asserted that UNCTAD must be able to deal with every international

economic point at issue. He referred to the appropriateness of UNCTAD's analysis in different issues of the Trade and Development Report (e.g. on the Asian crisis) and stressed that analysis results should be more systematically injected into practical activities.

28. **Ms. Kristin Dawkins, Institute for Agriculture and Trade Policy (IATP)**, proposed consensus building between civil society and concerned governments in order to revitalize UNCTAD's mandate on trade and development, with the following messages sent to UNCTAD XI: (a) UNCTAD's critical role in the analysis of trade and development issues and in articulating developing countries' concerns in international trade; (b) UNCTAD's work to ensure stable and remunerative commodity prices as a key to generating resources and fighting poverty; and (c) UNCTAD's analysis of the legitimate role of the state in managing trade to ensure economic development.

29. The representative of **India** noted that UNCTAD's mandate had been eroded during the past few decades. It was therefore necessary to strengthen the three pillars of UNCTAD in consensus building, technical assistance and policy analysis. Developing countries needed to be better informed and prepared for multilateral negotiations, and UNCTAD was the only organization able to help them to get this relevant information. He hoped that the outcome of UNCTAD XI would provide an impetus to the WTO negotiations.

30. The representative of **Cuba** said that UNCTAD's specificity was rooted in its comprehensive approach to development. Such an approach was often missing in the framework of the Bretton Woods system. Therefore, the mandate of UNCTAD must be extended so the organization could continue to carry out its tasks.

31. The representative of the **European Union** called for a stable dialogue between member States and NGOs during UNCTAD XI. UNCTAD should, within its mandate, seek to modernize and increase its effectiveness, taking into account the fact that it was a subsidiary body within the framework of the UN Organization. Therefore, it should act within the reality of this larger context.

32. The representative of **Iran** called for a reversal of the trend towards a declining role for UNCTAD, notably regarding the issue of commodity prices. More financial resources were needed for that issue. He called for stronger political will and a strong commitment from member States as well as institutional improvements for UNCTAD.

Roundtable II

Subtheme 3:

- Assuring development gains from the international trading system and trade negotiations

33. The Chairperson of Roundtable II introduced the topic and raised several questions, including the key challenges for developing countries in the area of trade and development, the impact of the Cancún Conference, and the consequences of the Doha Round on development.

Topic 1: The multilateral trading system – which way forward?

Discussion

34. **Mr. N'Diogou Fall, Network of Peasant Organizations and Producers in West Africa (ROPPA)**, highlighted the fact that an independent assessment of the MTS had to be performed so as to determine the way forward. Consequently, UNCTAD might have a role to play in ensuring the right for developing countries to choose their own development-oriented strategies. UNCTAD had the opportunity to help change and adapt the rules and mechanisms of international free trade so as to tackle the specific needs of the LDCs.

35. **Mr. Sunil Manandhar, Socio-Economic Welfare Action for Women and Children in Nepal**, insisted on the need to protect Asian LDCs, recalling that bilateral and regional trade agreements had been increasing since Cancún. As a consequence, LDCs in the region were more isolated in terms of regional trade. He denounced the nature of international financial institutions and the WTO, which were considered tools used by some developed countries to the detriment of LDCs. On the contrary, UNCTAD XI was to be a forum during which LDCs, and especially landlocked countries, could express and defend their interests.

36. **Ms. Micheline Makou Djouma, Cameroon Organization for Promoting International Economic Cooperation (OCAPROCE)**, said that the LDCs had to face the MTS in terms of market access. In African LDCs, there was a weak return on production and a small share of foreign direct investment in LDCs. She expressed the need for transnational corporations to get involved in the development of the LDCs. They should promote the use of local commodities in their production process and adjust their strategy according to the national context of LDCs. In this context, UNCTAD should reinforce its advisory capacity.

37. **Mr. Raul Uranga, World Association of Small and Medium Enterprises**, called for more relations between UNCTAD and the WTO to achieve greater coherence in their respective policies, such as was evidenced in their cooperation in working with the International Trade Centre (ITC).

38. **Mr. Chandrakant Patel, Southern and Eastern Africa Trade Information and Negotiations Institute (SEATINI)**, supported an assessment to be carried out by UNCTAD on the impact of trade liberalization on developing countries, particularly LDCs.

39. Other speakers evoked the issue of global governance in the fields of trade economics and social issues. International trade policies on the one hand and environmental, health and labour considerations on the other represented conflicting interests. UNCTAD constituted a mechanism for balancing those interests by reviewing the benefits and failures of trade liberalization. The suggestion was made that WTO be more closely integrated into the UN system organizations so as to re-embed trade in the global governance system. The failure of the Cancún meeting was partly attributable to the fact that issues concerning developing countries had been neglected. As a consequence UNCTAD XI was the opportunity for member States to take part in reflection on those issues and then to give a new impetus to multilateral trading negotiations. It was time to reform the international financial system, notably its internal governance and voting power system.

40. The representative of **Argentina** asserted that LDCs must see consistent progress before any new extension of the MTS. He called for a change of attitude on the part of States and development agencies so as to implement international trading rules in an equitable and efficient way.

41. The representative of **Uganda** requested greater consideration of LDCs' needs and requirements in the MTS so that no country would be isolated or feel disengaged from these negotiations. UNCTAD should focus on the compatibility between LDCs' needs and trade agreements. The question of LDC preferences was an example of agreements that favoured developed countries over LDCs. UNCTAD's role would then be to advise LDCs in order to increase supply capacity and promote better use of trade preferences.

Topic 2: Strengthening international commodity policies for development

42. The discussion focused on the key challenges and questions at stake with regard to commodities. It also addressed the role that UNCTAD might have in addressing these problems and finding solutions.

Discussion

43. **Mr. N'Diogou Fall, Network of Peasant Organizations and Producers in West Africa (ROPPA)**, highlighted the issue of agricultural workers in LDCs. Harsh international competition hampered the distribution of locally produced commodities, and free trade negotiations should be a device for ensuring the same rights and duties for rich and poor countries. Indeed, free trade practice prevented many LDCs from taking advantage of their rights.

44. **Ms. Celine Charveriat, OXFAM International**, referred to the decline of agricultural exports of LDCs in spite of their integration into the MTS. Development agencies do not take into account the current commodity crises and the impacts of poverty in LCDs. That is why UNCTAD has to identify the very needs of those economies and then to design substantial technical cooperation projects with LDCs.

45. **Ms. Micheline Makou Djouma, Cameroon Organization for Promoting International Economic Cooperation (OCAPRCE)**, said that LDCs had to promote the use of local commodities in their production process and to adjust their strategy according to the national context of the country. In this respect, UNCTAD should reinforce its advisory capacity.

46. **Mr. Henri Rouille d'Orfeuil, Coordination Sud**, expressed the organization's concern about the commodity crisis and the impacts of the decline of agricultural activities in LDCs. Falling prices and the consequences of indebtedness were compelling people to leave rural areas. Such a dynamic generated poverty. Therefore, regulation of supply and demand was needed. Three solutions could be envisaged: first, it was necessary to abandon the idea of the present agricultural model defining unique types of farming; second, the international community had to take into account the fact that competition would not be equal as long as the MTS was set on an unfair basis; and third, the system could be rehabilitated by reducing bilateral and regional agreements and doing away with subsidy-like mechanisms.

47. **Ms. Kristin Dawkins, Institute for Agriculture and Trade Policy (IATP)**, referred to the fact that UNCTAD had once been the centre of debates on trade and development, with a strong mandate with regard to analytical research on commodities. The analytical emphasis was on commodity prices, demand and supply management schemes, and other governmental actions to support price stability. The commodity issue was not one of market access or trade barriers, rather, it was a developmental issue that was linked to commodity prices, structural over-supply, declining terms of trade and the

declining share of retained value added in developing countries owing to market power concentration and the corporate behaviour of firms engaged in global commodity chains.

48. The representative of **Uganda** said that the main cause of the commodity crisis was a chronic imbalance in international trade, with supply exceeding demand. Without supportive institutions and capacity to add value domestically, developing countries exported only raw material. The dismantling of agricultural marketing boards in developing countries had not improved the situation. Despite their shortcomings, marketing boards guaranteed minimum prices to growers, provided productive inputs such as agricultural credit, attended to quality standards and made possible agricultural extension services, including market information. UNCTAD should focus on the compatibility between the needs of LDCs and trade agreements. Moving forward, UNCTAD should investigate and analyse (a) issues related to non-trade barriers; (c) standards and quality requirements; and (c) ways and means for developing countries to add value to commodities of export interest before exporting.