Report of the Trade and Development Commission on its second session

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I. Agreed conclusions

A. Agreed conclusions

The Commission,

1. While noting the efforts to address the global financial and economic crises, expresses concern about the impact of these crises on sustainable development and the achievement of the internationally agreed development goals, including the Millennium Development Goals. Stresses the need for continued work by the international community on addressing the causes of the crises and the global imbalances through, inter alia, enhancing coherence between the international monetary financial and trading systems, thereby strengthening the enabling environment for international trade and expediting progress towards inclusive and sustainable development;

2. Also expresses concern that the financial and economic crisis has resulted, inter alia, in significant increases in unemployment globally and adversely affects remittances by migrants;

3. Notes that the various crisis mitigation strategies and counter-cyclical stimulus packages have contributed to the recent upturn in economic growth and trade. However, the recovery remains fragile and exit strategies should be carefully designed to continue supporting global growth, including in developing countries, especially least developed countries (LDCs), that do not have the financial capacity to undertake fiscal stimulus or contribute to trade financing. Also underlines the importance of ensuring appropriate international support for these countries, such as predictable and effective official development assistance;

4. Highlights the importance of social safety nets; structural transformation; upgrading infrastructure; productive capacity development linked with trade; commodity sector development, especially in agriculture; support for small and medium-sized enterprises (SMEs); human capital and technological development; climate-friendly trade and investment measures; South–South trade; and market-opening trade policies which create growth and jobs and alleviate poverty. In this regard, the role of the State is important, taking into account an appropriate balance between national policy space and international disciplines and commitments;

5. Recognizes the importance of an open, fair, equitable and rules-based multilateral trading system and the avoidance of protectionism. Stresses the need for an expeditious, successful and ambitious development-oriented conclusion of the Doha Development Agenda. Reiterates that all countries must honour their respective commitments on duty-free and quota-free market access to LDCs, as provided for in the Ministerial Declaration of the Sixth World Trade Organization (WTO) Ministerial Conference. Also highlights the importance of Aid for Trade to help developing countries in general, and also of the Enhanced Integrated Framework for LDCs, in meeting their commitments and beneficially integrating into the multilateral trading system;

6. Recognizes the importance that concluding WTO accessions plays in integrating developing countries into and enhancing the multilateral trading system. Further recognizes that accession to WTO must be based on the WTO agreements as well as on trade considerations, and requests UNCTAD, in this regard and within its mandate

1 As adopted at the final plenary meeting on 7 May 2010.
contained in the Accra Accord, to strengthen its technical assistance programme for acceding developing countries, before, during and after the accession process;

7. **Recognizes** that services sectors, particularly infrastructure services, are important for competitiveness, employment creation, ensuring access to basic services and achievement of the internationally agreed development goals, including the Millennium Development Goals. Appropriate policy, regulatory and institutional frameworks are important to ensure soundness and sustainability of services sectors. In this regard, requests UNCTAD to support developing countries, particularly LDCs, with technical assistance;

8. **Also recognizes** that improvements in transport and trade facilitation, including infrastructure, can assist all developing countries, with due regard to their specific needs, to trade competitively, in particular LDCs and landlocked developing countries (LLDCs). Requests the UNCTAD secretariat to continue its support in building capacities in developing countries, in particular LDCs and LLDCs, in accordance with their national priorities, in the area of transport, trade facilitation and infrastructure;

9. **Stresses** that tourism stimulates broad-based economic growth, attracts investment and fosters development. Emphasizes the need for tourism strategies for sustainable development, appropriate regulations and dedicated institutions to strengthen economic linkages, maximize the gains and minimize the negative environmental and social impacts. Attracting national, regional and international tourism is critical to encourage entrepreneurship, including SMEs, create employment and contribute to reduction of poverty, particularly in LDCs;

10. **Requests** UNCTAD, within existing resources and in cooperation with other relevant international organizations as appropriate, to continue to pursue its mandate on trade and development issues as contained in the Accra Accord, and reinforce assistance to developing countries, in particular LDCs, according to their national priorities.

**B. Agreed conclusions on the outcomes of expert meetings**

*The Commission*

II. Chair’s summary

A. Opening of the session

12. The Secretary-General of UNCTAD, Mr. Supachai Panitchpakdi, delivered an opening statement. Statements were also made by (a) the representative of Cuba on behalf of the Group of 77 and China; (b) the representative of Egypt on behalf of the African Group; (c) the representative of Bangladesh on behalf of the Asian Group; (d) the representative of Costa Rica on behalf of the Group of Latin American and Caribbean Countries (GRULAC); (e) the representative of the European Union Delegation on behalf of the European Union and its member States; (f) the representative of Nepal on behalf of the Least Developed Countries (LDCs); (g) the representative of Paraguay on behalf of the Landlocked Developing Countries (LLDCs); and (h) the representative of Sudan on behalf of Arab States. Representatives of the following States also made statements on behalf of their individual countries: Algeria, Angola, China, Indonesia, the Islamic Republic of Iran, the Syrian Arab Republic and the United States of America.

13. The Secretary-General of UNCTAD emphasized, “Business as usual is not an option” as a fragile recovery in the world economy was taking hold, following the global financial and economic crisis. For example, global trade, which had contracted by about 12 per cent in 2009, was expected to rebound by about 5.4 per cent in 2010, a rate much lower than in the pre-crisis period, with annual average growth rates of 6–11 per cent. Also, social indicators had not improved much – for example, global unemployment, according to the International Labour Office, exceeded 200 million in 2010. The World Trade Organization (WTO) Doha Round, which was intended to bring tangible development benefits, was at a stalemate. There were worrying signs of shifts away from multilateralism in favour of preferential trade agreements. Bilateral and regional free trade agreements were proliferating, with about 226 operational agreements plus obligations with implications for most favoured nation (MFN) and non-discrimination principles and policy space for developing countries.

14. The Secretary-General added that moving out of a crisis of such magnitude offered a rare historical chance for change. He said that “new development paths” were needed to ensure sustained global recovery. Those should be based on diversifying developing-country economies, on a pragmatic balance between the roles of the market and government policy, and on reorienting international trade, financial, and monetary cooperation towards more equitable, sustainable, and coherent global governance systems. That would mean reviewing trade-related policies and measures in the post-crisis context and assessing their implications for trade and economic growth of developing countries. It would require, moreover, exploring further the link between trade, investment, productive capacity and growth, and how that growth translated into concrete outcomes such as poverty reduction and economic development. Countries needed to develop their own best-fit policy frameworks and institutions based on pragmatic approaches, continuous experimentation, sequencing and calibration of reforms to local conditions and development goals, signifying a key role for the State.

15. Improving the productive capacities of developing countries to produce goods and services of greater sophistication and in greater variety was considered vital for making stable economic progress, creating jobs, raising living standards and reducing poverty. This was particularly relevant in the case of LDCs. For landlocked and transit developing countries in particular, such capacities must involve improving trade-related infrastructure. That included transport and trade facilitation, trade logistics and meeting product standards.

16. The Secretary-General also expressed that sustaining the recovery required, in addition to building demand in industrialized countries, that developing countries look
increasingly to South-South trade for new market opportunities. This was not unrealistic, given that many developing countries had performed relatively better and survived the crisis with less damage than in previous recessions. In that connection, it was crucial that the developing countries participating in the São Paulo Round of Global System of Trade Preferences (GSTP) negotiations conclude the negotiations by the end of September 2010, as agreed by their ministers last December.

17. Multilaterally, there was need for the conclusion of the Doha Round so that it could fulfil its development promise. Furthermore, protectionist actions would have to be resisted by all countries, and the impact on development of non-tariff measures would have to be monitored. Reducing global imbalances would be a key preoccupation of policymakers.

18. He added that new development paths also must not ignore the urgency of building a less carbon-intensive economy to address climate change. This required enhancing policy coherence between trade, development and climate change. A less carbon-intensive economy could lead to job creation, poverty alleviation, food and energy security and trade and development.

19. The Secretary-General also underlined the necessity for reforms of the global financial and other governance systems, as being considered by the Group of 20 industrialized and developing nations (G-20), and in that process to integrate the Southern perspective more explicitly. The imperative of fostering a more inclusive governance mechanism for global economic policymaking, however, called for global solutions through the G-192 and the United Nations.

20. Most delegations expressed concern about the serious adverse impact of the global crisis on development, bringing about a reversal of progress towards the Millennium Development Goals (MDGs) and putting their achievement by 2015 at risk, significant increases in unemployment, sharp contraction of international trade and investment flows, high indebtedness and increased risk of reduction in official development assistance ODA flows. All countries were affected but to different degrees. It was also expressed that the crisis adversely affected migrants and flows of remittances, so there was a pressing need to identify ways of realizing the full potential of migrants and their contribution on trade and development. Some delegations expressed that the ongoing crisis had degenerated into a developmental crisis. There was thus need for national, regional and global actions to develop an equitable and developmental economic system. Globalization needed to be positively harnessed to proactively promote development.

21. Many delegations expressed the view that the various crisis mitigation strategies and counter-cyclical stimulus packages had contributed to global recovery in economic growth and trade. The acute phase of the crisis had thus passed. However, exit strategies from the crisis thus should be carefully designed. Moreover, the recovery remained fragile and scattered (or sporadic) among a few countries and was not widespread. There was thus need for renewed common commitment to strengthen the enabling environment for international trade and expedite progress towards inclusive growth, development and prosperity. In that regard, delegations underlined the need to address the root causes and the global imbalances, including in levels of development between the North and South, and to consider new development approaches that were inclusive, equitable and socially, economically and environmentally friendly. Trade, which was not a source of the crisis, was key to recovery, growth and development in the post-crisis period. It was also an engine for employment creation and poverty alleviation. Countries needed to work together to create new trade flows and meaningful market opportunities.

22. Some delegations noted that not all developing countries, especially LDCs, had the financial capacity to undertake significant trade financing or fiscal stimulus. In addition, some of the more vulnerable economies such as LLDCs were more susceptible to the
effects of the crisis. Strengthening international support for those countries was thus important in helping them to recover and build economic resilience. In that connection, several delegations stressed a need for increasing the quantity and quality of ODA, including Aid for Trade and the Enhanced Integrated Framework (EIF). One concrete example mentioned was the EU ad hoc Vulnerability Flex (V-Flex) to mobilize funds to support the most vulnerable economies of the African, Caribbean and Pacific Group of States (ACP).

23. In sharing experiences on effectively dealing with the global crisis, the following strategies and measures were suggested by delegations as successful in withstanding the crisis and could insulate economies from future crises: (a) stimulating domestic demand, and stabilizing external demand (b) providing social safety nets; (c) strengthening domestic demand; (d) promoting integrated and development-oriented strategies of structural transformation; (e) upgrading infrastructure; (f) strengthening productive capability development linked with trade; (g) enhancing commodity sector development, especially in agriculture for food security; (h) supporting small and medium-sized enterprises (SMEs), including through provision of credit facilities and cash incentives; (i) developing human capital and technological development; (j) fostering low-carbon, climate-friendly trade and investment measures; (k) strengthening South–South trade and regional trade, financial and monetary cooperation (such as the Mai Initiative Multilateralization agreement), and as a complement to North–South cooperation; (l) establishing prudent fiscal policies; (m) reforming the financial systems, including strengthening bank supervision; (n) enhancing the role of development banks; and (o) elaborating and implementing trade policies which were pro-business, pro-job creation and pro-poor. In the case of LDCs, new generation trade and trade-related policies were needed for deeper industrial, agricultural, services, investment and technological development. Many delegations expressed that an active role of the State and policy space was important. There was not a one-size fits-all approach and each country had to develop its own unique policies.

24. Many delegations stressed the importance of keeping markets open and global trade and investment flowing, avoiding protectionism and non-tariff barriers, removing trade-distorting policies, and providing trade financing. Preferential trading schemes, such as duty-free, quota-free schemes for LDCs, could provide improved market access. Most delegations underlined the crucial role of a strong multilateral trading system in containing protectionism and hence the importance of concluding the Doha Round with development-oriented outcomes. The realization of the commitment in the Millennium Declaration and MDG-8 to an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system and the effective integration of developing countries into such a system remained a key challenge. Some delegations expressed that facilitating and improving accession of developing countries to WTO was also important. However, acceding developing countries often faced terms of accession that went beyond their level of development and existing WTO Agreements. LDCs’ accession should be accelerated through simplified and streamlined accession procedures.

25. Many delegations stated that strengthened international coordination and cooperation to address global macroeconomic and trade imbalances and foster greater coherence between the international trading, financial and monetary systems was important. Some delegations stressed deep reforms of multilateral institutions and development banks to ensure inclusive and equitable financial and economic governance.

26. All delegations expressed that the services sector, particularly infrastructure services, were important for competitiveness, employment creation, ensuring access to basic services, especially for the poor, and achievement of the MDGs, including poverty alleviation. The services sector could also help foster economic recovery and bolster economic resilience. Adequate policy, regulatory and institutional frameworks were
important to ensure soundness and sustainability of services sectors. The financial crisis underlined in particular the need for strengthening regulatory and prudential framework in the financial sector. Several delegations highlighted the relevance of National Services Policy Reviews conducted for some developing countries with UNCTAD’s support, and called for such reviews to be replicated for other countries. Many delegations called for a strengthening of UNCTAD’s work on services, trade and development.

27. Some delegations pointed out that transport and trade facilitation infrastructure and transit issues had to be improved in developing countries to trade competitively, particularly in LDCs, LLDCs and transit countries. They also encouraged UNCTAD’s technical assistance and capacity-building to LLDCs on transport and trade facilitation to be continued.

28. All delegations agreed that tourism could stimulate broad-based economic growth, create employment and development benefits. Trade in tourism services were a key source of income for many developing countries. Tourism had special links with the environment and society due to its dependency on quality environments, cultural distinctiveness and social interaction as well as security. Effective national and regional tourism strategies and policies, regulation and enforcement mechanism and dedicated institutions were necessary to strengthen economic linkages, reduce leakages, maximize the gains and minimize the negative environmental and social impacts. Developing national tourism strategies, including trade policies, stimulating entrepreneurship, and attracting investment were critical. Promoting regional cooperation and trade in tourism could enhance the expected gains.

29. Delegations underlined the important role of the Trade and Development Commission and its timeliness in discussing contemporary trade issues such as the global crisis and how to overcome it. Delegations also commended the substantial and high-quality work carried out by the secretariat on trade and development, and appreciated the secretariat’s notes on successful trade and development strategies for mitigating the impact of the global economic and financial crisis, and on the contribution of tourism to development, which provided comprehensive analyses and policy recommendations on key issues for the post-crisis period.

B. Reports of expert meetings

1. Multi-year Expert Meeting on Commodities and Development
   (Agenda item 3(a)(i))

   30. The Commission took note of the report of the Multi-year Expert Meeting on Commodities and Development on its second session (TD/B/C.I/MEM.2/11), presented by the Vice-Chair-cum-Rapporteur, Ms. Rina Prihyasmiarsi Soemarno (Indonesia).

2. Multi-year Expert Meeting on Services, Development and Trade: the Regulatory and Institutional Dimension
   (Agenda item 3(a)(ii))

   31. The Commission took note of the Report of the Multi-year Expert Meeting on Services, Development and Trade: the Regulatory and Institutional Dimension on its second session (TD/B/C.I/MEM.3/6), presented by the Chair of the meeting, Mr. Chitsaka Chipaziwa (Zimbabwe).
3. **Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration**  
   (Agenda item 3(a)(iii))

   32. The Commission took note of the Report of the Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration on its second session (TD/B/C.II/MEM.2/6), presented by the Vice-Chair-cum-Rapporteur, Ms. Ruwanthi Ariyaratne (Sri Lanka).

4. **Multi-year Expert Meeting on Transport and Trade Facilitation**  
   (Agenda item 3(a)(iv))

   33. The Commission took note of the Report of the Multi-year Expert Meeting on Transport and Trade Facilitation on its second session (TD/B/C.I/MEM.1/6), presented by the Rapporteur, Mr. Stephen Fevrier (Organization of Eastern Caribbean States).

   (Agenda item 3(b))


6. **Expert Meeting on Green and Renewable Technologies as Energy Solutions for Rural Development**  
   (Agenda item 3(c)(i))

   35. The Commission took note of the Report of the Expert Meeting on Green and Renewable Technologies as Energy Solutions for Rural Development (TD/B/C.I/EM.3/3), which was presented by the Vice-Chair-cum-Rapporteur, Mr. Wolfgang Rechenhofer (Germany).

7. **Expert Meeting on the Contribution and Effective Use of External Resources for Development, in Particular for Productive Capacity-building**  
   (Agenda item 3(c)(ii))

   36. The Commission took note of the Report of the Expert Meeting on the Contribution and Effective Use of External Resources for Development, in Particular for Productive Capacity-building (TD/B/C.II/EM.1/3), which was presented by the Chair of the meeting, Mr. Mauricio Alfredo Pérez Zepeda (Honduras).

C. **Successful trade and development strategies for mitigating the impact of the global economic and financial crisis**  
   (Agenda item 4)

   37. The secretariat introduced its note entitled “Successful trade and development strategies for mitigating the impact of the global economic and financial crisis” (TD/B/C.I/7). The profound economic hardship resulting from the global crisis affected all countries and brought forth a “developmental crisis” in developing countries, as manifested in a number of worsening social and economic indicators, including high and growing poverty, unemployment, hunger and malnutrition, and environmental degradation. The decline and subsequent recovery in global trade involved all economic sectors and the broad trends were similar for both trade in goods and services. Remittances declined by 6 per cent to $316 billion in 2009, which negatively impacted growth prospects of
developing countries dependent on such flows. Preliminary data indicated that world trade would grow in 2010, but the nascent recovery was already showing signs of slowdown.

38. The Commission’s deliberations under agenda item 4 were facilitated by a high-level panel, moderated by the Secretary-General of UNCTAD. The panel consisted of (a) Ms. Monique Nsanzabaganwa, Minister of Trade and Industry, Rwanda; (b) Ms. Venetia Sebudandi, Ambassador of Rwanda; (c) Mr. Roberto Azevedo, Ambassador of Brazil; (d) Mr. César A. Hidalgo, Harvard Kennedy School and Harvard’s Center for International Development; (e) Mr. Darlington Mwape, Ambassador of Zambia.

39. Participants agreed that the global financial and economic crisis, which originated in developed countries and in global imbalances, had affected all countries but particularly developing countries. It was mentioned that the root cause of the crisis was serious imbalance in development levels between North and South, which was manifested by structural problems such as imbalance in world wealth distribution, imbalance in resource owning and consuming, and imbalance in the international trading, financial and monetary system. However, different countries were affected differently. The impact on developing countries was felt particularly through reduced exports and employment in all sectors as well as for migrant workers, and reduced remittances. Among the most severely affected were commodity-dependent countries that were deeply affected by a sharp fall in commodity prices. In Zambia, a single-commodity-dependent country, lower prices of copper had decreased Government revenue, requiring it to cut expenditures on social spending, including on education, which had had a pro-cyclical effect. It also led to increased unemployment. The crisis had reversed the hard-won gains towards the achievement of the Millennium Development Goals (MDGs). This showed a need to more directly link trade and trade liberalization to the achievement of MDGs and creation of employment, leading to poverty alleviation.

40. Participants underlined the need to be vigilant on the emerging recovery. While there were emerging signs of economic recovery, they were far from “human recovery”, as unemployment remained exceptionally high and household wealth depressed. Question arose therefore how a strong and sustained recovery could be achieved while countries were increasingly confronted with the need for increased public financing against the background of high indebtedness and lack of private investment, and at the same time deal with the waning impact of extraordinary stimulus packages and consider exit strategies.

41. Many participants stressed that developing countries, including some LDCs, had shown relatively good resilience and performed better than the world average growth with “emerging” economies with large domestic market being among the fastest to recover, and were presently leading the global recovery. That could be regarded as a “tectonic shift” in the process of consolidation of a new global economic order, as the developing world was no longer at the margin of the economic governance mechanism. Such positive performance was attributable to their maturity in macroeconomic management, good financial practices, responsible regulation of financial institutions and an active role of the State. Various governments intervened before and during the crisis through a variety of policy instruments, at a different timing and duration (immediately, short-term, medium-term and long-term), and on a temporary and permanent basis.

42. It was noted that the main efforts during the crisis were directed at preserving macroeconomic and financial stability based on sound economic fundamentals. Temporary intervention targeted at providing liquidity and capital, including prudential regulation, was critical in many cases in countering capital outflows, credit crunch and currency depreciation. Sound public finance management resulting in accumulation of foreign reserves spared many economies from exogenous shocks, while monetary authorities’ handling of interest rates, liquidity and banks’ reserve requirements was instrumental for maintaining credit lines and liquidity. In Brazil, when the central bank could not act, public
banks had acted as a “penultimate” lender of last resort. The prudential regulation of banking sectors proved to be particularly useful in preventing and responding to the crisis. Relatively stable source of external finance, such as remittance, helped in sustaining external balance in Bangladesh.

43. Many participants highlighted the particular importance of Keynesian countercyclical, expansionary fiscal and monetary policies that served to sustain aggregate domestic demand, including through temporary tax cuts and expenditures, and interest cuts. For surplus countries, such as China, boosting domestic demand was also instrumental for global macroeconomic rebalancing. Those economies resorted to comprehensive and integrated policies aimed at (a) strengthening social safety nets; (b) saving jobs; (c) expanding domestic demand, especially industrial sector and consumption; (d) strengthening small and medium-sized enterprises SMEs; (e) increasing trade finance; and (f) institution-building, with infrastructure development programmes including physical infrastructure development and housing. The packages emphasized increased attention to infrastructure-building and related services including health, education, energy, telecommunications and transport, which are key for competitiveness and access to essential services. Many developing countries were able to implement such measures owing to their stable fiscal situations and sufficient international reserves arising from their better longer-term economic management. For some Asian countries such as Indonesia, lessons learnt and applied from the 1997 Asian financial crisis served to cushion the impact of the crisis. The specific way to implement policies, however, depended on the institutional development of countries.

44. Provision of social safety nets was essential to minimize social costs of the crisis, as well as to prevent precautionary saving and boost private consumption. In Brazil, such measures included an increase in minimum wage, income transfer through social security benefits, unemployment insurance and minimum income programme and public support. In the Russian Federation, the protection of the vulnerable population and reform in health and pension schemes featured prominently.

45. Concern was expressed over large-scale public support, including financial sector bailout measures and conditionalities attached to the public spending, which could distort global competitive conditions, especially at the expense of developing countries without comparable financial capacities.

46. Many participants recognized trade policy as an important part of the crisis-mitigation measures. The first-order response was to keep markets open and not to restrict or discriminate foreign investment or rely on trade protectionism. The rules-based multilateral trading system and enhanced monitoring exercise were instrumental in this regard. Some had embarked on a comprehensive overhaul of national trade policy framework to harness their full potential of trade. Rwanda, with the support of UNCTAD, had begun such a process to build a robust economic base underpinned by diversified production of quality goods and services, and to contribute to a national development goal and the MDGs, including by addressing the supply-side constraints and promoting national export strategy, investment in public infrastructure, rehabilitation of road networks, industrial policy and tourism. In China, export promotion was pursued through improved trade finance, facilitated customs clearance and trade facilitation.

47. It was emphasized that greater efforts were being made to promote industrial development, and building and diversifying productive capacities, so as to render economies more resilient and to lay the foundation for sustained growth. For instance, robust investment expenditures were implemented in Brazil under its “Growth Acceleration Programme”, including by State enterprises, and “new industrial policy” was introduced to promote strategic activities, to boost exports, investment, innovation and R&D, including through tax cuts and creation of special credit faculties. In Zambia, measures were taken to
diversify markets and products with higher value-added and in non-traditional sectors, such as through promoting economic zones with development of agriculture, tourism and infrastructural services featuring prominently. In Bangladesh, expanded credit lines were opened for SMEs and fiscal incentive granted to garment sector. In the Republic of Korea, to prepare for future growth, measures were also taken to promote corporate restructuring and greener growth.

48. Participants recognized that building productive capabilities was a complex process. Research presented to the Meeting showed that the possibility of expanding export sectors over time would depend on their nature and depth of overall connectedness of products, and the level of capabilities and complexity of an economy (diversity of economic activities) would determine the level of income and development. The diversification and proximity of export sectors implied that “product space” could have a positive spillover effect to other sectors, a key to industrialization. Thus, coordination efforts and networks involving all stakeholders at the national, regional and international levels to accumulate capabilities over time could lead to a higher level of structural transformation and create economy-wide opportunities. Countries developed by economizing the coordinated accumulation of capabilities, which manifested as short jumps in the product space. Development would require a host of policies and measures including capabilities to produce a range of products, and developing complementary economic activities, learning, discovering and sharing of experiences about producing and trading in different products, economizing coordination, and developing public/private partnerships, and learning from other partners in regional framework to produce similar products. Gains from trade come from learning, rather than redistributive gains in efficiency.

49. Some participants emphasized that a reshaping of global economic governance was necessary to reflect evolving economic realities and a greater voice of developing countries. In this reshaping, a reform of international financial and stronger international regulations was urgently needed. That would promote a greater coherence with the rules-based trading system. The emergence of the G-20 was significant in strengthening policy coordination.

50. Participants shared the view that international trade continued to play a key role in overcoming the crisis. The lack of progress in the Doha Round was a cause of concern. It was considered high time to deliver on an early harvest of some of the LDC package, including duty-free and quota-free market access. It would also be important to facilitate the World Trade Organization (WTO) accession process for acceding countries. Scaled-up Aid for Trade support was important in building competitive and productive capacities.

51. South–South cooperation was considered useful in promoting trade, infrastructure development, development aid and debt relief. China and the Republic of Korea, for instance, enhanced their development assistance to other developing countries. Successfully completing the third round of Global System of Trade Preferences (GSTP) negotiations following the milestone agreement on market access modalities adopted last December could further stimulate fast-growing South–South trade.

52. There was a need to find specific and actionable measures and initiatives including on proactive industrial strategies to diversify developing countries’ trading capacities, expand agricultural production and build food security, increase services supplies in national and international markets and strengthen policies and investment into infrastructure, promote long-term competitiveness, and high-value export oriented production.

53. Participants appreciated UNCTAD’s analytical work, including on the successful strategies to mitigate the crisis, and reaffirmed that UNCTAD played an important catalytic role in assessing and building consensus on possible new trade and growth paths, including from perspective of different country situations such as least developed countries (LDCs),
landlocked developing countries (LLDCs) and transit countries, Africa countries, Arab States and small and vulnerable economies. UNCTAD could do further research to synthesize the country experiences, including measures needed to build national capabilities and diversification of economies, and their policy implications for new development strategies and for the international trading system. UNCTAD’s research on the crisis could also focus on policy implications of the crisis and mitigating strategies in the areas of trade and investment, including long-standing problems and imbalances. UNCTAD should also continue to support national and regional efforts to review and formulate trade and development policy frameworks, including on services, and help developing countries beneficially participate in the international trading system, and negotiate trade agreements and accede to WTO according to their level of development. UNCTAD should also continue to support countries in building transport and trade facilitation capacities.

D. The contribution of tourism to trade and development

(Agenda item 5)

54. The secretariat introduced its note entitled “The contribution of tourism to trade and development” (TD/B/C.I/8) and highlighted its main findings. The global tourism sector had grown and diversified to become one of the fastest-growing economic sectors. It was currently a $3 billion a day business benefiting all countries. Successful tourism development required meeting economic challenges, enhancing social responsibility and fostering transformation into the green economy to ensure long-term sustainability. Tourism in developing countries represented their largest single services export, accounting for 7 per cent of their goods and services exports and 45 per cent of their commercial services exports. For LDCs only, both of those figures were higher – 9 and 65 per cent respectively. It had been a key factor in the graduation from LDC status for some. Tourism and tourism-support activities created a high proportion of employment opportunities (220 million jobs representing 8 per cent of employment), including for the poor, women and youth. It could help in alleviating the unemployment resulting from the crisis. The global financial crisis caused an abrupt shift in tourism growth with declines in international arrivals by 4 per cent. Tourism returned to growth in the last quarter of 2009 and it was believed it would endure with 4 per cent annual growth in international arrivals to reach 1.6 billion in 2020.

55. The Commission’s deliberation was facilitated by a high-level panel followed by interactive debate, moderated by the Deputy Secretary-General of UNCTAD. The panel was comprised of (a) Mr. Márcio Favilla Lucca de Paula, Executive Director for External Relations and Partnerships, United Nations World Tourism Organization (UNWTO); (b) Mr. Bekir Temucin Sayar, Head of Foreign Relations and European Union Coordination, Department at the Ministry of Culture and Tourism, Turkey; (c) Mr. Dinesh Bhattarai, Ambassador of Nepal to the United Nations Office and Other International Organizations; and (d) Mr. Ronald Saborio, Ambassador of Costa Rica to the World Trade Organization.

56. The discussion was supported by the note by the UNCTAD secretariat TD/B/C.I/8 entitled “The contribution of tourism to trade and development”. The note was commended for analysing in an excellent manner (a) the importance of the sector for many countries, including developing and least developed countries; (b) the recent trends, successes and challenges related to tourism development; and (c) the impacts of the crisis on the sector. It deliberated on the contribution of tourism to trade and development and on strategies for addressing the impact of the financial and economic crisis on the sector given its key role in terms of economic development, employment generation, foreign exchange earnings, remittances and poverty reduction.
57. It was noted that tourism was one of the fastest-growing sectors and that countries of all levels could potentially benefit from the sector. Globally, the sector’s contribution to gross domestic product (GDP) exceeded 5 per cent and its annual turnover had grown at a faster pace than GDP. In most countries, tourism was one of five top export earners, while in many developing and least developed countries it was the number one export. Growth of world tourism was a major component of services trade growth. It was currently a $1.1 trillion business (representing 30 per cent of world wide exports in services) that all countries at all levels of development could potentially benefit from. While the sector offered countries multiple development benefits, sustainable management of the sector also posed significant challenges. Successful tourism development required meeting economic challenges and also enhancing social responsibility and fostering transformation into the green economy to ensure long-term sustainability. Moreover, countries which relied heavily on tourism should be mindful of the fact that tourism flows were highly vulnerable to external shocks. This past year could probably be considered among the most challenging in tourism’s history. In addition to the financial and economic crisis, the H1N1 scare and more recent disruptions to air traffic due to the eruption of the Icelandic volcano had significantly affected the sector. UNWTO estimated that the five-day closure of airports brought a negative impact of 0.3 per cent to 2010 figures of international arrivals.

58. Beginning in 2008, the global financial and economic crisis had negatively affected the tourism sector with Europe and the Middle East being especially hard hit. Arrivals declined by 4.3 per cent, tourism receipts by 5.8 per cent and exports by 6.0 per cent. This nonetheless had to be viewed in the context of consistent growth of the sector since the 1950s. In many destinations, domestic tourism had been less affected, allowing some countries to partially compensate for the falling international demand. The Chinese Government, for example, made a swift shift to promote domestic tourism by stimulating tourism awareness and enthusiasm through a strong national campaign which featured a “tourism advocacy week” in 186 cities. Data collected by UNWTO confirmed that tourism returned to growth in the last quarter of 2009 and it was forecasted that growth would continue in 2010. Tourist arrivals for the first two months of 2010 grew by 7 per cent. Cautious optimism for 2010 was therefore warranted in this respect.

59. It was noted that an encouraging trend of tourism’s strong performance in recent years was that growth in arrivals was greatest in developing countries, accounting for about 40 per cent of total international tourist arrivals. Positive developments included not only the emergence of new destination and source countries, but also the development of new tourism products and better access to tourism destinations. It was estimated that by 2020 there would be 1.6 billion international tourists. At the international level, trade and cooperation agreements could help boost intraregional and interregional tourism, particularly among developing countries. The importance of intraregional tourism was emphasized and note was taken of the fact that South-South tourism represented an important channel for the future growth and development of developing countries’ tourism sectors. For example, the emergence of India and China as engines of growth, with 40 per cent of global population, was considered to be a huge potential for neighbouring Nepal’s tourism industry. With respect to LDCs in particular, the tourism sector was considered a decisive factor supporting graduation from LDC status. The National Services Policy Review of Nepal on tourism was appreciated, and request was made for UNCTAD’s support in implementing its action plan with donor support.

60. One critical concern that remained in relation to the recovery that seems to be setting in was that this had been a jobless recovery in many places. Given the role of the sector as a primary source of income-creating jobs – tourism and tourism-support activities created a high proportion of employment opportunities at all skill levels – this was an area that policymakers should devote particular attention to, including in terms of decent jobs. They also represent a vast array of opportunities for self-employment and entrepreneurship.
Attracting foreign direct investment (FDI) remained an important requirement for the sector in those countries where domestic resources were limited. Investment requirements covered primary facilities such as hotels, restaurants and recreational amenities, as well as supportive physical infrastructure and basic services. However, common perceptions that a large share of FDI flows to developing countries targeted tourism and that foreign investment dominated their tourism industries were largely unfounded. Instead, it had been shown that FDI inflows into developing countries’ tourism sector accounted for only around 10 per cent of global FDI inflows.

Despite the many positive trends identified, developing countries still encountered significant economic, social and environmental challenges in maximizing the gains from their national tourism industries, including the need to strengthen weak intersectoral linkages that could contribute significantly to reducing the revenue leakages. Due to a large and diversified supply chain, the tourism sector had the potential to impact positively on many other sectors of the economy, thereby creating a multiplier effect that generated broad-based economic benefits at the national level as well as employment opportunities and poverty reduction at the local level. Without strong tourism linkages, such benefits did not materialize.

There were several challenges to be addressed at the national level to improve the performance of the tourism services sector. Addressing those required ensuring effective national strategies comprising policy, regulatory and institutional frameworks that were in place with sufficient incentives to stimulate the development of supply capacity in national markets. Mainstreaming tourism in national and international agendas remained a challenge, including due to the diverse and highly fragmented nature of the industry which made coordinated, industry-wide action difficult to achieve. Tourism sector stakeholders should be better involved in decision-making processes which had a major impact on the industry, such as employment, planning, investment, transport, taxation, visas and development. The mainstreaming of tourism needed to be included in poverty alleviation programmes just as it was felt that poverty alleviation should become a key focus of tourism development initiatives.

Several participants described the policies they had implemented in the past decades to capitalize on their cultural, artistic, wildlife, landscape and climatic assets. Among the strategies and policy responses to maximize the positive impacts of tourism on development and minimize the negative ones the most frequently cited included addressing sustainability issues, ensuring diversification of the tourism product, tackling anti-competitive business practices and promoting poverty reduction in the poorer segments of populations which often did not automatically benefit from tourism development mainly due to leakages.

Protecting the environmental and cultural heritage of countries was perhaps still a relatively recent policy objective in certain countries, but new tools such as the conduct of environmental impact assessments were being applied to tourism investment projects and increasing attention was being paid to environmental education and awareness programmes. One example of a measure developed to guarantee long-term sustainability of the sector was Costa Rica’s Tourism Sustainability Certificate, through which tourism services and tourism firms were classified on a scale ranging from 1 to 5 in function of the way in which the natural and social resources were used (measured by the interaction of the firm and the surrounding environment, internal procedures for waste disposal and management, energy savings, etc.), the degree of participation of local communities, and the competitiveness of firms. The firms joining the programme benefited from incentives designed by Costa Rican Tourism Institute and this in turn strengthened the image of the country as an authentic natural destination. It was noted that decisions on conservation policies in the long term did not necessarily imply a cost or a lost opportunity but proved a valuable source of revenue.
66. Several participants indicated that their policy to promote the diversification of their tourism products focused on niche sectors such as medical and spiritual tourism and naturopathy methods including exercise, yoga and meditation; rural tourism focused on inclusive development at the community level and putting forward assets such as ethnic diversity, religious heritage and folklore. Tourism diversification also was related to shifting focus from traditional source destinations to countries closer by. The South Asian Association for Regional Cooperation (SAARC), for example, had underscored the need for promotion of tourism in the region, including as a tool for citizens to better know each other. One participant noted the high degree of competition among tourism destinations offering similar products. This constituted another reason for seeking diversification.

67. Addressing anti-competitive business practices that constrained the development of the tourism sector by increasing the costs of doing business in the country and compromising the quality of local goods and services was considered crucial. Another set of important strategies that developing countries should focus on were those which reduced the need for imported good and services and sought to boost the bargaining power of smaller or domestically-owned airlines, tour operators and hotels in terms of their negotiations with larger foreign tour operators and travel agencies. In that regard, it was suggested that the full benefits of tourism development would not be achieved as long as there is a lack of efficient and affordable maritime and air transportation, including at regional and subregional levels.

68. Some countries, such as Turkey, opted to shift the emphasis from the State, driving the tourism development process to a greater role assumed by the private sector. While the State still provided support to tourism growth through the provision of infrastructure and infrastructure-related services, the strengthening of domestic regulations, the provision of national training facilities and the facilitation of domestic private investment, it had strongly encouraged the establishment of professional tourism organizations with the aim of increasingly transferring functions assumed by the State to the private sector. The Government retained, however, a critical role with respect to planning, licensing and standardizing tourism facilities and supervising their operations, as well as promoting and marketing the Turkish tourism product through its offices abroad.

69. Countries could be assisted in their efforts by various international initiatives such as the Roadmap for Recovery that the UNWTO put in place in 2008 to address the global economic crisis and promote tourism as primary vehicle for job creation and a green transformation of the economy. Similarly, through its programme on Sustainable Tourism for the Elimination of Poverty (ST-EP) UNWTO had identified 150 technical cooperation projects that it hoped to assist, some 40 of which were finalized last year. ST-EP encompassed seven mechanisms to address poverty through tourism which included (a) employment of the poor in tourism enterprises; (b) supply of goods and services to tourism enterprises by the poor; (c) direct sales of goods and services to visitors by local communities; (d) the use of Government revenues from tourism activities in favour of the poor; (e) voluntary sponsorships or donations by tourism enterprises for poverty reduction initiatives; and (f) investment in tourism-related infrastructure which could also benefit poor localities. UNWTO stressed the importance of working with UNCTAD to tackle common challenges and delivering as “One” to ensure that tourism would contribute to MDGs, job creation and climate change mitigation.

70. Individual donors were also active in supporting developing countries in developing their tourism potential, whether individually or jointly with international organizations. Japan, for example, provided assistance to tourism development in Africa through the Tokyo International Conference on African Development (TICAD), which was supported by the United Nations Office of the Special Advisor on Africa (UN-OSAA), the United Nations Development Programme and the World Bank, and which involved stakeholders in
all African countries and development partners, including Asian countries, donor nations, international agencies, civil society organizations, the private sector and parliaments. TICAD had become a major global framework for Asia and Africa to collaborate in promoting Africa’s development and developed an action plan in 2008 to help Africa countries address security, hospitality, management, infrastructure and environmental constraints through training programmes and knowledge exchange.

71. Appreciation was stated for UNCTAD’s work relating to tourism under the three pillars. Those included its E-tourism Initiative, Train for Trade programme, Sustainable tourism programme within the BioTrade Initiative, Special activities for LDCs and SIDS, tourism and investment in LLDCs, and its National Services Policy Reviews, which helped build national capacities to advance development of national services sectors, including the tourism services sector. Participants highlighted a number of areas in which UNCTAD – including in collaboration with UNWTO – could undertake further research and provide technical assistance to developing countries to assist them in reaping the maximum development benefits from tourism.

72. It was suggested that the links between migration/migrant workers and the tourism sector were important and needed to be further researched and discussed in an annual UNCTAD intergovernmental expert meeting on migration and tourism. Several delegates also expressed appreciation to the UNCTAD secretariat for the publication of UNCTAD/DITC/TNCD/2009/2, “Contribution of migrants to development: trade, investment and development linkages”, and expressed their wish that UNCTAD continue to analyse this issue further. Research by UNCTAD on investment in the tourism sector was considered important for designing programmes for tourism in developing countries. It was also suggested that UNCTAD could play a role in supporting and promoting bilateral and regional tourism cooperation through dialogues between countries and technical assistance at the intergovernmental level, thereby allowing countries to forge partnerships and learn from each other. A particular area for the exchange of experience between countries was tourism-related policies, institutions and rules and regulations. Finally, it was suggested that the outcome of the Trade and Development Commission could provide inputs for the Fourth United Nations Conference on the Least Developed Countries action plan.

E. Promoting and strengthening synergies among the three pillars
(Agenda item 6)

73. The secretariat presented its Progress report on the implementation of the provisions of the Accra Accord related to key trade and development issues (TD/B/C.I/9), drawing also upon the DITC Activity Report 2009 (UNCTAD/DITC/2010/1).

74. The Division’s work emphasized the global food, fuel, financial and economic crisis as well as climate change, its impact on trade and development prospects of developing countries, and successful mitigation and recovery measures. It also supported trade policy development in developing countries, including national services policy reviews and productive capacity-building, including in environmentally-friendly products. The Division contributed in several interdivisional activities, such as Paragraph 166 courses, TrainForTrade and the Virtual Institute.

75. Appreciation was expressed by member States for UNCTAD’s work on trade and development, especially on trade negotiations and the international trading system and WTO accession, for which increased donor support was requested. The work on migration, trade and development, especially the ad hoc expert group meeting organized on that topic and background documents, was also commended and further work, including an intergovernmental expert meeting on this subject, was requested.
1. **Progress report on the implementation of the provisions of the Accra Accord related to commodities**

76. The secretariat presented a Progress report on the implementation of the provisions of the Accra Accord related to commodities (TD/B/C.I/10). The Multi-year Expert Meeting on Commodities and Development, which took place in April 2009 and March 2010, discussed included policies and challenges for commodity-based development.

77. In addition, multi-stakeholder meetings on commodities were organized, including those covering cotton (December 2008), coffee (April 2009), the Mali Energy Conference (November 2009), and the Global Commodities Forum, held in March 2010.

78. The secretariat reported that management reform implementation took place within UNCTAD, including the restructuring of the Special Unit on Commodities, responding to the in-depth evaluation report of the Commodities Programme.

2. **Progress report on the implementation of the provisions of the Accra Accord related to transport and trade facilitation**

79. The secretariat presented its Progress report on the implementation of the provisions of the Accra Accord related to transport and trade facilitation (TD/B/C.I/11). In the trade logistics field, those activities included several projects in the areas of transport, trade facilitation, legal frameworks, and customs automation through the UNCTAD’s largest technical assistance programme, the Automated System for Customs Data (ASYCUDA). Appreciation was expressed for the secretariat’s work by member States.

80. Appreciation was also expressed for the assistance brought through UNCTAD’s ASYCUDA programme to a number of beneficiary countries.

3. **Progress report on the implementation of the provisions of the Accra Accord related to cross-divisional capacity-building**

81. The secretariat presented its Progress report on the implementation of the provisions of the Accra Accord related to cross-divisional capacity building (TD/B/C.I/12).

82. Member States expressed their appreciation of the capacity-building activities carried out by the three programmes and stressed their importance for their countries. In particular, one delegation praised the results achieved during the last regional Course on Key Issues on the International Economic Agenda in Jakarta. Another delegation praised the achievements of the TrainForTrade programme and expressed the wish for the creation of a port training network in Arabic to complement the English-, French-, Spanish- and Portuguese-speaking networks.

F. **Other business**

(Agenda item 7)

83. The President of the Global Network of Exim Banks and Development Finance Institutions (G-NEXID) emphasized the role of the Network as an engine to promote cooperation and partnership in support of trade and investment based in the South. That was proven to be very valuable considering the upheaval of the financial crisis, which had reinforced the need for international cooperation and economic coordination. G-NEXID and its members already engaged in that direction were able to step up and extend credit lines and exchange ideas between members with the view to support trade, industries and investment.
III. Organizational matters

A. Opening of the session

84. The second session of the Trade and Development Commission was opened at the Palais des Nations, Geneva, on 3 May 2010, by Mr. Khonkder Talha (Bangladesh), Vice-Chair of the Commission at its first session.

B. Election of officers

(Agenda item 1)

85. At its opening plenary meeting, on 3 May 2010, the Commission elected the following officers to serve on its Bureau:

Chair: Mr. A. Hernandez Basave (Mexico)

Vice-Chairs:
- Mr. Ruwanthi Ariyaratne (Sri Lanka)
- Mr. Marius Bessy (Côte d’Ivoire)
- Mr. Konrad Scharinger (Germany)
- Ms. Zehra Unlu (Turkey)
- Ms. Erika Koszegi (Hungary)

Rapporteur: Mr. Garikai Kaschitu (Zimbabwe)

C. Adoption of the agenda and organization of work

(Agenda item 2)

86. At its opening plenary meeting, the Commission adopted its provisional agenda (TD/B/C.I/6). The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.
3. Reports of expert meetings:
   (a) Reports of the multi-year expert meetings:
      (i) Multi-year Expert Meeting on Commodities and Development
      (ii) Multi-year Expert Meeting on Services, Development and Trade: the Regulatory and Institutional Dimension
      (iii) Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration
      (iv) Multi-year Expert Meeting on Transport and Trade Facilitation
   (b) Report of the Intergovernmental Group of Experts on Competition Law and Policy
   (c) Reports of the single-year expert meetings:
      (i) Expert Meeting on Green and Renewable Technologies as Energy Solutions for Rural Development
4. Successful trade and development strategies for mitigating the impact of the global economic and financial crisis.

5. The contribution of tourism to trade and development.

6. Promoting and strengthening synergies among the three pillars.

7. Other business.

8. Adoption of the report of the Commission to the Trade and Development Board.

D. Adoption of the report of the Commission to the Trade and Development Board
(Agenda item 8)

87. At its closing plenary meeting, the Commission authorized the Rapporteur, under the authority of the Chair, to finalize the report after the conclusion of the meeting.
Annex

Attendance*

1. Representatives of the following States members of UNCTAD attended the Commission meeting:

Afghanistan Kazakhstan
Algeria Lebanon
Angola Lesotho
Argentina Libyan Arab Jamahiriya
Austria Madagascar
Bahrain Mali
Bangladesh Mauritius
Bhutan Mexico
Brazil Morocco
Bulgaria Mozambique
Cameroon Myanmar
Canada Namibia
Central African Republic Nepal
Chile Netherlands
China Nicaragua
Colombia Nigeria
Comoros Papua New Guinea
Costa Rica Paraguay
Côte d’Ivoire Philippines
Cuba Portugal
Cyprus Republic of Korea
Czech Republic Romania
Democratic People’s Republic of Russian Federation
Korea Rwanda
Democratic Republic of the Congo Saudi Arabia
Dominican Republic Serbia
Egypt Singapore
El Salvador Slovakia
Fiji South Africa
Finland Spain
France Sri Lanka
Greece Sudan
Guatemala Swaziland
Haiti Syrian Arab Republic
Honduras Thailand
Hungary Togo
Indonesia Trinidad and Tobago
Iran (Islamic Republic of) Turkey
Iraq United Arab Emirates
Israel United Kingdom of Great Britain
Italy and Northern Ireland
Japan United States of America

* For the list of participants, see TD/B/C.I/Inf.2.
2. The following observer attended the session:
Palestine

3. The following intergovernmental organizations were represented at the session:
African, Caribbean and Pacific Group of States
African Union
Commonwealth Secretariat
European Union
League of Arab States
South Centre

4. The following United Nations organs, programmes or bodies were represented at the session:
   International Trade Centre
   United Nations Economic Commission for Europe

5. The following specialized agencies or related organizations were represented at the session:
   Food and Agriculture Organization of the United Nations
   World Intellectual Property Organization
   World Trade Organization

6. The following non-governmental organizations were represented at the session:
   General category
   Ingénieurs du monde
   Ocapsuro interationale.