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Strengthening UNCTAD: enhancing its development role,
impact and institutional effectiveness

Strengthening UNCTAD: enhancing its development role

Note prepared by the UNCTAD secretariat*

I. The United Nations and development

1. Development is a central concern of the United Nations. At the World Summit in 2005, the world's leaders acknowledged that peace and security, development and human rights were the pillars of the United Nations system and the foundations for collective security and well-being. They recognized that the three pillars were interlinked and mutually reinforcing, but they also reaffirmed that development was a central goal in itself.

2. In the Millennium Declaration, the States members of the United Nations reached consensus on a number of development-related issues. They expressed the belief that the central challenge the world faced was to ensure that globalization became a positive force for all. They considered that, while globalization offered great opportunities, its benefits were unevenly shared, and its costs were unevenly distributed. The response to such inequalities must be based on solidarity, they said. Global challenges must be managed in a way that distributed the costs and burdens fairly, in accordance with basic principles of equity and social justice. Those who suffered or who least benefited deserved help from those who benefited most. Member States committed themselves to making the right to development a reality for everyone, and to freeing the entire human race from want.

3. They further agreed on a number of more specific goals. These related to, among other things: (a) good governance within each country; (b) good governance at the international level; (c) transparency in the financial, monetary and trading systems; (d) an open, equitable, rules-based, predictable and non-discriminatory multilateral trading and financial system; (e) mobilizing resources for development; (f) the special needs of least developed countries (LDCs), small island developing States and

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landlocked developing countries; (g) debt relief; (h) more generous development assistance; (i) halving, by the year 2015, the proportion of the world's people whose income is less than one dollar a day; and (j) ensuring that the benefits of new technologies, especially information and communication technologies, were available to all.

4. There is therefore widespread agreement on a number of major development goals, and the challenge that now lies ahead is to forge a similar agreement on the strategies and the global solidarity needed to help achieve these goals.

II. UNCTAD

5. The solidarity referred to in the Millennium Declaration will have to mean more than providing moral support or aid and philanthropy – although these are of course essential components. Achieving long-term and sustainable poverty reduction will only be possible if “solidarity” is also expressed through the actions of the mainstream economy, through national and international economic policy, and through the rules of trade, competition and investment that govern and promote economic relations. These are the concerns of UNCTAD, which is the United Nations focal point in the area of trade and development.

6. UNCTAD was created in 1964 with a broad development mandate. In General Assembly resolution 1995 (XIX), UNCTAD was established as an organ of the General Assembly and was called upon, among other things, to promote international trade, formulate principles and policies on international trade and related problems of economic development, and review and facilitate the coordination of activities of other institutions within the United Nations system in the field of international trade and related problems of economic development. Since its inception, UNCTAD has promoted international trade and economic development with a view to creating a more efficient, more stable and more equitable global economy that serves the interests of all people. From the start, there was a consensus among member States that the process of promoting trade and economic development cut across a vast array of interlinked policy issues that needed to be treated in an integrated and coherent manner in order to ensure that trade became an effective instrument for economic development. Accordingly, UNCTAD's role was defined as that of the focal point within the United Nations system for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development.

7. Since its creation, UNCTAD has made significant contributions which have had lasting impact in a number of areas. Its research and policy analysis has raised awareness on key trade and development issues, and contributed to informed, evidence-based policymaking. It launched the Generalized System of Preferences, whereby developed economies grant improved market access to exports from developing countries. It established Infocomm and launched the Common Fund for Commodities. It produced the Convention on a Code of Conduct for Liner Conferences, which strengthened the ability of developing countries to maintain national merchant fleets. It also oversaw the adoption of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, which provides the basis for today's work on competition law and policies. UNCTAD was a key contributor to the definition of the target of 0.7 per cent of gross domestic product to be given as official development aid by developed countries to the poorest countries, as adopted by the United Nations General Assembly in 1970. It also helped in the identification of the group of LDCs as early as 1971, and it subsequently became the focal point within the United Nations system for tackling LDC-related economic development issues. In that capacity, it organized the first three United Nations Conferences on the Least Developed Countries, which resulted in action programmes for the LDCs, including the current Brussels Programme of Action. It

supported the adoption of the Agreement on the Global System of Trade Preferences among Developing Countries, which came into force in 1989 and provided for the granting of tariff as well as non-tariff preferences among its members.

8. More than 40 years after its creation, the world in which UNCTAD is operating has changed significantly. New challenges have emerged along with new opportunities. At the same time, some of the challenges that led to the creation of UNCTAD in the first place continue to hinder development efforts.

III. Economic situation

9. As the report of the Secretary-General of UNCTAD to the Conference shows, since early 2000 the world economy has witnessed a new generation of globalization characterized by unprecedented rates of growth. More developing countries than ever have been able to benefit from the propitious environment, and the developing countries as a group increased their real income by 71 per cent between 1996 and 2006, compared to only 30 per cent for developed countries. Even some of the world's poorest countries have achieved average annual growth rates of more than 5 per cent, significantly more than in the late 1990s.

10. Another new feature of today's globalization is the growing role of the South in trade and investment flows. A number of large developing countries have now emerged as major players in the world economy, and some have even become key drivers of growth. Overall, the developing countries' share of world exports increased from 24 per cent in 1990 to 37 per cent in 2006, and their share of inward foreign direct investment doubled, from 18 per cent to 36 per cent. Trade among developing countries more than tripled, from \$577 billion in 1995 to \$2 trillion in 2006.

11. After decades of decline, commodity prices have risen significantly in the last five years, driven mainly by the increasing demand in fast-growing Asian countries. The rise in the price of oil has been the most prominent example, but in fact prices are increasing almost across the board. This has, for example, generated large revenues for extractive industries, which have seen renewed investment inflows.

12. However, despite these promising trends, problems related to poverty, lack of productive capacity, economic vulnerability, and underutilization of economic capacity due to skill and capital shortages persist in many developing countries, in particular the least developed among them. The export share of LDCs, the majority of which are in Africa and are commodity-dependent, fell from 2.5 per cent in 1960 to about 0.5 per cent in 1995 and has since hovered around this level, though the improvement in commodity prices in recent years helped to raise their share to 0.8 per cent in 2006. The entire sub-Saharan African region continues to account for a mere 2 per cent of world trade, and only about 0.8 per cent of global foreign direct investment flows.

13. The oil price hike is posing a significant challenge for oil-importing countries. By some estimates, the higher costs of oil could offset any benefits that African developing countries are reaping from debt-relief initiatives. This situation is exacerbated by the danger that high oil prices will slow domestic growth in these countries, particularly since the intensity of their oil production tends to be much higher than in developed countries. Moreover, many developing countries lack crucial productive capacities, including the infrastructure required to transport goods to the market. Only 22 per cent of the roads in LDCs are paved, and only 20 per cent of the LDCs' population is estimated to have access to electricity.

14. With regard to multilateral trade negotiations, the Doha Round has entered its seventh year. The lack of a comprehensive outcome with a strong development dimension could erode efforts to strengthen the multilateral trading system. The proliferation of regional trade agreements is also a threat to that system if these agreements are not built up as outward-oriented instruments compatible with World Trade Organization (WTO) rules. Furthermore, non-tariff barriers are becoming

increasingly prevalent and are limiting the trading prospects of all countries, even as tariff barriers are being dismantled.

15. These pressing trade and development problems are complex, and overcoming them is likely to be rendered more difficult by the threat of climate change. It is clear now that climate change is likely to have disproportionately adverse effects on developing countries, whose adaptive capacities are low. Response measures in transportation, energy use, electricity generation, agriculture and forestry will also have significant trade and development implications.

16. It is evident, therefore, that despite the recent favourable trade and economic performance across countries, including developing countries, major trade and development challenges persist, and for those countries that have yet to benefit significantly from globalization, the possibility of attaining the internationally agreed development goals by 2015 remains remote. The international community must therefore pursue and increase its efforts to try to make the Millennium Development Goals a reality.

IV. Strengthening UNCTAD – the issues

17. Given the major trade and development challenges facing countries today, UNCTAD's mandate retains its full relevance. Many of the issues that led to its creation are still at the forefront of the concerns of the international community, and efforts to tackle these long-standing but unresolved issues must therefore not only be sustained but reinforced. In addition, other important new issues have emerged that have direct implications for trade and development and, in that context, UNCTAD may need to address them. Examples of these include climate change and labour mobility.

18. Since UNCTAD XI, institutional issues in UNCTAD have been taken up within the context of two separate but complementary processes. The first of these was the Mid-term Review conducted in 2006, midway between UNCTAD XI and UNCTAD XII. At the conclusion of the review in October 2006, member States reached consensus on a number of institutional issues relating to all three pillars of UNCTAD's work. The Trade and Development Board agreed, among other things, that UNCTAD played an important role in forging consensus on development-related issues and in supporting the development of policy options that harnessed emerging opportunities, while assisting developing countries and countries with economies in transition in addressing the challenges of globalization. It further agreed that UNCTAD would aim at the revitalization of a global partnership for development by contributing to global consensus-building on trade and development-related issues.

19. The second process related to the Panel of Eminent Persons set up by the Secretary-General of UNCTAD in October 2005 with a view to enhancing UNCTAD's development role and impact. The panel's report, containing 21 recommendations, was issued in July 2006 and, at its forty-first executive session, in April 2007, the Trade and Development Board endorsed a number of recommendations, subject to certain understandings, and decided to pursue its consultations on more of the recommendations on which there was conceptual convergence. It was the view of the panel, for example, that international organizations such as UNCTAD could and should play a catalytic role in pursuit of development at the national and international levels through state-of-the-art policy analysis and advocacy. UNCTAD should stand as a distinct entity, taking the lead as the United Nations system's think tank for an integrated treatment of the interrelated development issues of trade, investment, technology and finance. Its core competencies should be maintained and enhanced. The United Nations system at large, as well as member States of UNCTAD, should make good use of its existing pool of technical excellence on economic development policy issues and ensure its contributions to the system-wide efforts to achieve the Millennium Development Goals.

20. Pursuant to these outcomes, and specifically those falling within the remit of the UNCTAD secretariat, the Secretary-General of UNCTAD has initiated actions to implement them. For example, in respect of technical cooperation, a Project Review Committee has been established within the secretariat to coordinate technical cooperation policy and its implementation. In addition, the secretariat has launched a process of clustering its existing and new technical cooperation activities into several major thematic clusters.

21. The deliberations of the Conference will provide a further opportunity to agree on ways of strengthening the development role that UNCTAD can and should play.

A. Development consensus

22. As shown earlier, the international community, working through the United Nations system, has met with considerable success in reaching agreement on ambitious development goals. This is reflected not only in the Millennium Declaration and the World Summit Outcome, but also in the outcomes of other summits and conferences, in particular those on financing for development and on sustainable development. At the same time, the best means of attaining these goals are not always the subject of broad agreement.

23. For example, it is, now recognized that trade liberalization on its own is inadequate as a development strategy, and such a strategy will have to be more nuanced and complex than previously believed. On the one hand, the world is highly interdependent, while on the other, each country faces its own set of development challenges and requires its own set of policy responses. The challenge in this complex environment will therefore be to identify the best way of managing the current phase of globalization in such a way that the remaining challenges can be met without jeopardizing the existing gains. Consensus will have to be reached on the basic frameworks within which the international community wishes to operate, for example at the level of the global financial architecture. Consensus will also be needed on more specific policies, such as how to handle the energy issue, how to ensure that the challenge posed by climate change can be met in a way that minimizes its adverse effect on development, how to help countries benefit more from domestic and foreign direct investment, and how to ensure that development aid is put to best use.

24. In this connection, it will be important to determine how UNCTAD can play its full role in generating international consensus in areas within its mandate. The Panel of Eminent Persons considered that UNCTAD should be a think tank on development issues and a catalyst for a community of think tanks. At the same time, at the Mid-term Review in 2006, member States emphasized the fundamental importance of the consensus-building pillar of UNCTAD, in particular its dedicated development perspective, and stressed the role this pillar had in enhancing understanding and building convergence. UNCTAD's most effective contribution to global development consensus is likely to lie at least in part in its capacity to harness both of these roles – to produce ahead-of-the-curve research and analysis, and to have the results of its analytical work reviewed and refined through its intergovernmental pillar, with a view to elaborating development-oriented policy options and concrete dissemination programmes in developing countries. Broader goals will relate to bridging the gap between consensus about ends and consensus about means. And in this undertaking, it will be necessary to resolve the tensions that can exist between being ahead of the curve and forging consensus.

B. Development partnership

25. At the World Summit in 2005, the world's leaders reaffirmed their commitment to the global partnership for development set out in the Millennium Declaration, the Monterrey Consensus and the Johannesburg Plan of Implementation. They emphasized the role of national policies and development strategies in the achievement of

sustainable development, but also recognized that national efforts should be complemented by supportive global programmes, measures and policies aimed at expanding the development opportunities of developing countries, while taking into account national conditions and enduring respect for national ownership, strategies and sovereignty.

26. It will be important to equip UNCTAD to support these efforts at both the national and the global level, and to promote complementarity between the two. UNCTAD should be in a position to provide evidence-based policy recommendations as a basis for concrete partnerships, serve as a platform allowing stakeholders to discuss and agree upon such partnerships, and provide the necessary assistance to allow the partnerships to be implemented.

C. Development efforts of the United Nations system and the multilateral system

27. As already indicated, the World Summit strongly reiterated the role of the United Nations in development and the role of development in the United Nations. It also reaffirmed the vital importance of an effective multilateral system in order to better address the multifaceted and interconnected challenges and threats confronting the world, underlining the central role of the United Nations in that connection. How then can UNCTAD play a stronger role in the context of the development efforts of the United Nations system and of the broader multilateral system? And how can it help strengthen the multilateral system?

28. One aspect of this issue will involve coordination with other bodies. It will be important to determine how UNCTAD, the focal point of the United Nations system for trade and development, can best coordinate United Nations efforts in this field and work with other United Nations bodies – such as the regional commissions and United Nations Development Programme – with a view to enhancing clarity, complementarity and efficacy, and preventing duplication and mission creep. It will also be important to enhance coordination of United Nations activities in the field of trade and development with the activities of other organizations active in this field, for example WTO and the World Bank. This will be particularly crucial in the context of the Aid for Trade initiative.

29. Another aspect of this issue will involve enhancing the multilateral system itself in order to maximize its contribution to development. At UNCTAD's Mid-term Review in 2006, member States considered that there was a need to enhance the coherence and consistency of the international monetary, financial and trading systems and global economic governance. There was also a need to strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting, as well as the continuing efforts to reform the international financial architecture. It will be important to agree on how UNCTAD, through the three pillars of its activities, can make a greater contribution to efforts to ensure the increased coherence of the multilateral system as it relates to trade and development and related issues in the field of finance, technology, investment and sustainable development.

D. Focus of UNCTAD's work

30. As previously stated, UNCTAD's mandate retains its full relevance. In this new phase of globalization, trade and development issues are in fact perhaps more central than ever to the concerns of the international community. In strengthening UNCTAD's role in order to ensure that it contributes fully to the international community's efforts to handle these issues adequately, it will be essential to enable UNCTAD to take up the right issues. On the one hand, UNCTAD's expertise and capacity to contribute in respect of long-standing but still relevant and unresolved issues must be preserved. On

the other, it must also be allowed and even encouraged to turn its attention to new trade and development issues that are at the top of Governments' agendas today.

31. It will therefore be essential to ensure that UNCTAD's programme of work cover those issues that are of greatest concern to Governments now. Moreover, since new issues are constantly arising, it will be important to ensure the flexibility necessary to enable the organization to respond quickly and appropriately to new challenges. This will involve the need to agree on means of selecting issues of particular focus, while at the same time preserving some degree of capacity in other areas. It will also involve the need to make the best use of existing resources through management practices that put a premium on skills development and flexibility.

V. Conclusions and questions

32. UNCTAD deals with a broad range of issues (including trade, finance, technology and investment) that lie at the heart of globalization and development today. It deals with these issues at the national and global level, in an integrated way, through the three pillars of its work. It is the lead agency of the United Nations in its sphere of activity. It therefore has a key role to play in the international community's efforts to come to grips with the challenges and opportunities presented to it in the area of trade and development, and to achieve the objectives it has set itself through the internationally agreed development goals. Strengthening UNCTAD is one way for the member States of the United Nations to attain their goals of strengthening the United Nations and the multilateral system as a whole, with a view to achieving the Millennium Development Goals, thereby also promoting peace, security and human rights. In a world of unprecedented and increasing interdependence, each individual element of the array of instruments available to the international community must be made as effective as possible, or the overall effort will be diminished. UNCTAD is no exception, and its effective role in what is an area of crucial concern to all countries today must be maximized.

33. A number of specific questions need to be answered in this connection. How do the new realities in the global economy affect the development role of UNCTAD? How can UNCTAD strengthen its development role at both the global and national levels? How can UNCTAD best contribute to realizing a global development partnership? How can UNCTAD best contribute to the overall development effort of the United Nations system?