United Nations Conference on Trade and Development

Distr.: General
21 June 2010

Original: English

Trade and Development Board
Fifty-seventh session
Geneva, 15–28 September 2010
Item 11 of the provisional agenda
Hearing with civil society

Report on the second UNCTAD Public Symposium

Responding to global crises: New development paths

Introduction

1. UNCTAD's second Public Symposium, organized in cooperation with the United Nations Non-Governmental Liaison Service (NGLS) and other partners, took place in Geneva on 10 and 11 May 2010. The Symposium discussed the enduring effects of the global economic and financial crises with a view to exploring new development paths, anchored on the premise that responding to global crises relies on the advancement of new thinking and new approaches.

2. The event brought together over 300 representatives from around the world, including top thinkers from civil society, the private sector, parliaments, United Nations agencies and other international organizations, to discuss and debate the most important interrelated challenges facing developing countries in the global economic and financial crises, and to explore and expand towards more inclusive and sustainable development paths.

I. Plenary session 1*

A. Opening

3. Opening the Symposium, Mr. Jean Feyder (Luxembourg), President of the Trade and Development Board, said that the event should produce concrete, practical ideas for moving onto new development paths, drawing on lessons learned from the financial, food, energy and climate crises. In defining those paths, and in formulating a United Nations system-wide strategy for meeting the Millennium Development Goals (MDGs), it was important for the State to have a major role in development, financing, and productive capacity-building; the latter was especially vital for job and income generation.

4. In his introductory remarks, the Secretary-General of UNCTAD, Mr. Supachai Panitchpakdi, said that one year after the eruption of the financial crisis, the world had little to show for a more inclusive approach to global governance. The G-20 did not represent the peoples and countries of the entire world; a truly inclusive multilateralism must be based on the G-192, he said. Mr. Panitchpakdi went on to say that the United Nations was the sole institution with the legitimacy to represent the wishes and needs of a global community, and should therefore be more significantly involved in decisions about systemic reform of the global economy. The future stability of the international financial system, and the prosperity that such a system could help deliver, depended on the inclusion of all countries in the decision-making, monitoring and regulatory processes, he emphasized.

5. It would be near to impossible to achieve all the MDGs, he said, partly because they focused on financing temporary gaps, rather than on enabling the economic transformation needed for long-term sustainability. Moreover, the MDGs took a primarily sectoral view of development problems, rather than a comprehensive and integrated or holistic approach; this could lead to dysfunctional outcomes. Efforts to achieve the MDGs should be integrated within a broader economic development strategy, as focusing on specific MDG targets in a compartmentalized way was unlikely to be sustainable.

B. Round table meeting
Responding to global crises: New development paths

6. After the opening remarks, the Symposium moved to a round table meeting of eminent persons on the main themes. This was then followed by interactive debate and focused breakout sessions, to debate key aspects of new development paths.

7. The round table was moderated by Mr. Jonathan Lynn, correspondent on world trade and chief correspondent for Reuters in Geneva. The panellists included Mr. Supachai Panitchpakdi; Mr. David Nabarro, Special Representative on Food Security and Nutrition, United Nations High-level Task Force on the Global Food Security Crisis; Mr. Olivier De Schutter, United Nations Special Rapporteur on the Right to Food, Office of the High Commissioner for Human Rights, Geneva; Ms. Makhotso Magdeline Sotyu, Chair, Parliament of South Africa; Mr. Rehman Sobhan, Chair, Centre for Policy Dialogue, Bangladesh; and Ms. Anne Jellema, International Policy and Campaign Director, ActionAid International, South Africa.

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* In addition to the round table and the plenary sessions, eight breakout sessions, organized and led by civil society organizations, intergovernmental organizations and UNCTAD, were held during the two-day Symposium. The summary of the breakout sessions is available on the Symposium's website.

8. To the moderator's first question, namely, was the worst of the crisis over, or was there a risk of a new crisis or a debt crisis, participants concurred that while some financial and statistical recovery was apparent, human recovery was not, despite the difficulty of estimating the full impact of the crisis on the poor. The banks were recovering financially, but despite having been rescued by the public sector, they were taking care of their own needs and not investing in the productive sectors. Participants said that speculation continued to be a cause for concern. At the same time, developing countries, which were on the receiving end of the crisis, were not getting the aid they needed in order to respond, and would have to learn to be the masters of their own destiny.

9. Participants stated that at least Europe was getting a wake-up call, which would probably make it easier to implement stringent financial regulation, as the crisis had proved that the markets were wrong. One speaker suggested that the best solution would be to close the financial markets outright, as they were no longer helping to create wealth. An alternative, which had already been proposed by a major world leader, was to separate those parts of the market that had a social function from those that were purely casino-driven.

10. The response to the continuing crisis – which should draw on the lessons from it – should consider how the financial market could be better harnessed, and what systemic changes would be required to reduce potential future risks to that market. Participants went on to say that the financialization of food via commodity speculation, and increasing cross-border land deals, were drivers of major risks and vulnerability in developing countries. Curbing unregulated financial transactions, and promoting taxation on capital flight fuelled by the offshore economies, would provide better domestic resource mobilization and reduce unregulated risk-taking in the economy.

11. Several speakers also recommended automatic tax-information exchange, country-by-country financial reporting by multinationals, and global taxation – such as carbon taxes and financial transaction taxes – as this would promote sustainability in the global economy and free up resources for productive investment in countries with low income. Allowing special drawing rights to be used for cheaper borrowings in the financial market and conversion to hard currencies without building up more debt should also be considered, especially for the least developed countries (LDCs). Global monetary system reforms were also required to prevent currency speculation and trade distortion. The recent build-up of massive reserves in developing countries reflected a lack of trust between countries, and should be addressed in tackling global imbalances. An early warning system was needed, but one with the "teeth" to make itself heeded. The response to the crisis should also include more structural changes, which, although destroying some jobs, would create other jobs elsewhere, contributing to a more sustainable type of growth.

12. With regard to the food crisis, participants generally agreed that it had not yet really ended, as an estimated 1 billion people were hungry worldwide, despite last year's near-record total cereal production. The food crisis, the financial crisis and the world economic contraction had made structural weaknesses apparent to a much larger group of decision-makers, who now recognized that more action was needed on infrastructure, information, and investment, in order to promote rural development, reduce mass unemployment and alleviate the burden on women in farming households. The future of food security depended on partnerships between smallholder farmers, governments, businesses and civil society, and also on country-led coordinated action, especially in rural areas. Developing nations would be the catalysts for better food security for all.

13. Some positive steps – including the emergence of green initiatives in Africa – were being hindered by the realities of the need for more funds and more investment in agriculture, especially given the continually low productivity rates of sub-Saharan Africa, speakers said. Overall, about $44 billion annually needed to be invested in agriculture in developing countries in order to successfully relaunch agriculture – a tiny sum compared to defence spending. At the same time, there was sometimes a contradiction between

investment in agricultural policies and efforts to combat climate change. However, producing more was not necessarily incompatible with the development of small-scale, family-run agricultural firms. Investment in agriculture should be diversified, with the paramount goal of delivering public goods that would ease the lives of rural farmers. It was, moreover, imperative to confront the problem of "land grab" – a phenomenon too often associated with investment in agriculture.

14. Participants recommended a non-linear approach to agriculture. Agricultural development strategies should include more than just the objective of growing more food; they should also promote increases in rural incomes, a reduction in rural poverty, and the creation of linkages with other productive sectors. Agricultural policies should focus on peri-urban agriculture and on protecting urban areas from agricultural price shocks and food insecurity, for example by creating smaller urban centres able to satisfy local demand, and "de-concentrating" food production to increase the resilience of urban areas to price volatility and fluctuating supply.

15. On the related subject of climate change and its links to the concurrent financial, food and energy crises, several participants commented that the world was not behaving as though climate change were its greatest challenge, and would pay the price. Resource commitments on climate-change mitigation had fallen far short of what developing countries needed. It was stated that those sums – about $30 million by 2020 – were minuscule compared to the $8 trillion used in industrialized countries in the space of 16 months to rescue their banks and as military spending. The United Nations should become the sole forum to guide the process, rather than the international financial institutions.

16. Millennium Development Goal 8 – which deals, inter alia, with official development assistance (ODA), debt, technology transfer and trade – had failed its role, said several participants. Also, gender issues had been inadequately addressed by the MDGs. New development paths should address employment, poverty reduction, and investment in agriculture targeted towards smallholders. Participants called for an inclusive, more social-based growth model, one that sought to correct the knowledge divide between rich and poor. Democratization, they contended, was key to reconstructing the State; growth alone would not suffice.

17. The round table set the scene for the plenaries that followed.

II. Plenary session 2

Rethinking global economic governance: Towards trade and financial reforms to support development

18. The second plenary session was moderated by Mr. Ram Etwareea, a journalist from *Le Temps*, Geneva. Introductions to the debate were delivered by panellists Mr. Jomo Kwame Sundaram, Assistant Secretary-General, United Nations Department of Economic and Social Affairs (UN-DESA) and Ms. Jayati Ghosh, Professor of Economics, and Chair, Centre for Economic Studies and Planning, India. Prior to the floor being opened for debate, Mr. Pedro Páez, President, Ecuadorian Technical Commission for a New Regional Financial Architecture and Former Minister of Economic Coordination of Ecuador, and Ms. Nuria Molina, Director, European Network on Debt and Development (EURODAD), Belgium, were asked for their reactions to the initial thoughts put on the table.

19. Participants discussed whether the existing global architecture of governance was appropriate, or whether more was required. It was noted that while global economic governance was not a new issue, in the current crisis it had acquired a much greater importance than before. The formation of a G-20 was a move in the right direction, it was said, however while the G-20 countries represented 65 per cent of the world's population,

this left the other 35 per cent with no voice. Participants thus called for a G-192, including all United Nations Member States.

20. It was stated that the existing global governance system was outdated and biased towards the interests of developed countries. The basic problem of the current system of global governance had remained unchanged since the time that the system was constructed. When it was constructed, developed countries had structural surpluses and developing countries had deficits. Participants said that the current situation was fundamentally different. There were reverse capital flows, from developing to developed countries. The cost of funds had increased, and there were new sources of volatility. The liberalization of capital flows did not contribute to development, but rather created asset bubbles and overinvestment in some economies, while the high cost of sterilization negated some of the potential benefits of financial liberalization, participants elaborated. The crisis had shown that global imbalances could not go on forever, it was mentioned.

21. One speaker noted that the current system was, in some respects, a "dictatorship of finance", which did not allow developing countries to run trade deficits, unlike, for example, developed countries in the eurozone. Developing countries hoarded foreign currency reserves in order to protect themselves against capital flight and market volatility at high opportunity costs. The surpluses were not invested in productive capacity. Developing countries, too, had to rethink their internal financial architectures, which were focused on export-led growth at the expense of wage-led, domestic-consumption-led growth. This was, in essence, a self-defeating strategy.

22. Participants said that demand from the United States and Europe was unsustainable, therefore developing countries should rebalance their growth strategy with an emphasis on internal and regional demand. Developing countries should, furthermore, consider growth strategies that aimed at providing their billions of people with employment, decent salaries, opportunities to educate their children and a brighter future.

23. Participants concurred that the widening gap between the capabilities of the North, with bailouts of their financial systems surpassing $1.5 trillion, and the much-reduced policy capabilities of the South, had to be urgently redressed. It was noted that there was a clear need to provide more policy space, especially to LDCs, which were unable to have the same type of policies that developed countries had. This was notoriously clear in the current crisis, where the North had adopted countercyclical policies while the South could not.

24. The crisis had opened up the opportunity to reform the system of global governance, according to some. The reform should have been along the lines of the original Bretton Woods concept and ideas, involving development, reconstruction, full employment, productive capacities and non-reciprocity, and not just the monetary and financial issues, as had been the case.

25. The global economy needed greater macroeconomic coordination to mitigate global imbalances. In that respect, a global economic coordination council, along the lines proposed by various actors – such as the German Chancellor, Ms. Angela Merkel, or the Commission of Experts of the President of the General Assembly on Reforms of the International Monetary and Financial System (the "Stiglitz Commission") – should be established. In addition, a macroeconomic advisory capacity (MAC) should be established, since the work of the International Monetary Fund (IMF) was not enough and did not provide the kind of advice that developing countries needed. The MAC should put development at the centre of policymaking, rather than the IMF's narrow focus on inflation and fiscal deficits.

26. It was stated that the moment there were data available indicating a possible recovery, financial actors went back to "business as usual". This had created the sentiment of a lost "Bretton Woods moment" – a lost opportunity to implement reform policies. But in fact, the spirit of Bretton Woods had been lost earlier, at the end of the Bretton Woods

Agreement in 1971. For nearly four decades since, the liberalization of capital accounts and financial flows arising out of liberalization had caused damage to developing countries.

27. Instilling the "Bretton Woods spirit" demanded greater coordination among countries, and more policy space for putting in place prudential regulation; in short, a better and more equitable financial system. To achieve this, the United Nations should focus on five core issues: (a) debt sustainability; (b) better tax cooperation; (c) the creation of a global economic coordination council, to achieve global rather than only G-20 leadership; (d) developing a macroeconomic advisory capacity (MAC) to deal with challenges and policy priorities; and (e) a global green new deal, which could provide incentives for climate change adaption and mitigation, and for adequate food production.

28. The question remained whether the Bretton Woods institutions could be reformed in a meaningful way or not. Either the IMF or the World Bank could be reformed in accordance with the original Bretton Woods ideas whereby both creditors and debtors were represented, or developing countries should look for alternative arrangements.

29. Regional financial and monetary initiatives could be a way for governments to regain some lost policy space. In the case of Latin America, a group of countries was in the process of constructing a regional financial and monetary cooperation framework, which, it was suggested, would not result in tighter fiscal and monetary restrictions of the type associated with the eurozone experiment. Instead, the three pillars of a regional development bank, a common reserve fund, and a regional settlements clearing system based on a new currency unit (coexisting and supporting national currencies) could help shield national economies from the vagaries of global financial markets, while enabling public policy to better direct finance towards supporting local productive investment initiatives and full employment goals.

30. Many developing countries, as well as some developed countries, were in debt distress. This time, the epicentre of the sovereign debt crisis was not in Asia, Africa or Latin America, but in advanced countries. The Bank for International Settlements had warned that the sovereign debt crisis was at "boiling point". Some economists had warned that what was happening in Greece was only the tip of the iceberg, as debt/GDP ratios and other indicators in some major developed countries outside the eurozone were the same, if not worse, and that another stage of the global financial crisis was being entered.

31. Comparing the debt problems of advanced countries with the debt problems of developing countries, in particular LDCs, was like comparing heavyweight and lightweight boxers: there were huge differences in their abilities to service debt, and their debt-tolerance levels varied tremendously.

32. Some developing countries, though negatively affected, were relatively "resilient", whereas others had been hit hard. A sad joke at a conference organized by the World Bank and the African Development Bank in April 2010 was that "everyone has suffered from the financial crisis, except for the debt managers."

33. According to an IMF and World Bank paper released in April 2010, among low-income countries, 11 were in debt distress (2 more than in 2009) and 16 were at high risk of debt distress; some small middle-income Caribbean countries were said to be on the verge of bankruptcy. It was noted that the future was equally gloomy, because when advanced economies started to put their fiscal houses in order and the effects of stimulus policies fizzled away, the negative impacts would be further spread to the developing countries via trade, remittances and other channels.

34. Speakers noted that UNCTAD XII had mandated the secretariat to put forward policy recommendations in the area of debt and ODA. The outcome document from the June 2009 United Nations Conference on the World Financial and Economic Crisis and its Impact on Development, negotiated by all the United Nations Member States, had listed: (a) a debt moratorium, as a last resort in times of emergencies and catastrophes; (b)

exploring, together with development partners, the feasibility of a more structured framework for international cooperation in the restructuring of sovereign debt; (c) in the intermediate period, working on a set of guidelines for promoting responsible sovereign lending and borrowing to introduce behavioural change and reduce reckless, irresponsible lending and borrowing, with the aim of reducing the occurrence of debt crises (UNCTAD started such a project in 2009); and (d) honouring commitments and pledges of ODA.

35. The food crisis was ongoing, despite the fact that food prices had come down somewhat from the high prices recorded in 2008. In the two years since, the food crisis had been exacerbated by the financial crisis. Commodity market volatility had caused a 15 to 20 per cent rise in food prices. The financialization of food and commodity prices had turned them into vehicles for financial speculation, and prices no longer reflected conditions of supply and demand. For example, the largest production of grain in history was achieved last year, but grain prices remained high. Six large corporations/organizations were said to control not only the grain market, but also voters and banks etc. This posed a challenge to global governance in agriculture. The United Nations had a role to play in regulation and control of commodities futures markets. It was stated that civil society, and especially non-governmental organizations (NGOs), had a role to play in any reform of global governance.

36. Participants also discussed the following issues:

(a) **Fiscal consolidation:** The recent call by the IMF and the World Bank for fiscal consolidation was premature. If fiscal support were to be reversed prematurely, the possibility of a double dip (a second recession) would increase. Any increase in capital for the IMF and the World Bank should not go to the old-style, conditionality-driven structural programmes, since they had built-in anti-developmental effects;

(b) **Innovative finance mechanisms:** Innovative finance mechanisms to be considered were the adoption of a financial transaction tax that could generate over $100 billion a year, which could be used for financing development and which would also curb financial volatility;

(c) **The Doha Development Round negotiations:** It was stated that there was “not much development” in the Doha Development Round negotiations, and even less in negotiations for free trade agreements. Overall, the current multilateral trading system was felt not to be well suited to the interests of developing countries;

(d) **The role of LDCs in global governance:** LDCs had to have a seat at the table where financial issues were discussed. Private aid had plummeted, and ODA was not meeting the goals of the Gleneagles Summit. Lack of financing of LDCs could worsen their problems;

(e) **Diversification of LDCs’ economies:** This demanded good macroeconomic policies and good institutions. The international community should expressly take into account the interests of LDCs and should provide them with access to finance, as they are excluded from international markets;

(f) **The role of Africa on the world scene:** This was mainly related to reform of the Security Council, the international financial institutions, and other global institutions. Powerful countries wanted to maintain the status quo, while Africa was trying to increase its negotiating power.

III. Plenary session 3

Alternative development strategies: Towards more inclusive and sustainable development paths

37. This session was moderated by Ms. Anne Jellema, International Policy and Campaign Director, ActionAid International, South Africa. The discussants included Mr. Richard Kozul-Wright of UNCTAD; Mr. Mouhamady Cissokho, President, Réseau des Organisations Paysannes et de Producteurs de l'Afrique de l'Ouest, Senegal; Mr. Biraj Patnaik, Principal Adviser, Office of the Commissioners to the Supreme Court, India; and Mr. Pradeep S. Mehta, Secretary-General, CUTS International, India.

38. Participants concurred that the recent waves of crises had highlighted the need to move away from the conventional wisdom premised on an unfaltering belief in unleashing free markets. Economic liberalization, with its combined elements of privatization, stabilization, rolling back the State, and trade openness, had come to dominate development thinking, underpinned by a sophisticated analytical framework and an identification of state intervention as the main impediment to sustained development. However, not only had liberalization failed to deliver on its promise, but it had also exacerbated the magnitude of the crises. Development could not be achieved by assuming that markets worked efficiently. Markets could fail, and had indeed failed, as the recent global economic and financial crises had shown.

39. It was noted that economic growth in rich countries had historically originated not from unrestrained international free trade, but from consciously framed industrialization policies that had progressively shaped particular economic structures. The State played a critical role in supporting the industrialization process. Such policies created dynamic synergies that served the double purpose of bolstering the economy's productive capacities and advancing the social agenda.

40. The starting point for improving productive capacities would be to target sectors that have strong market potential with investments in human resources and in the required basic infrastructures. Implementing alternative development strategies would be difficult without reforming the international set-up, which would require a reconceptualization of international public goods, among other challenges. A "global new deal" was needed to tackle the interrelatedness of challenges transcending the jurisdiction of individual states. Only a big shift in the international economic architecture could produce a fairer and more inclusive and democratic world order.

41. Proactive policies, particularly those geared to creating industrial capacity, were the key to sustainable development. There was a need for a "big push", through large-scale investments, with an emphasis on public investment, and there was a call for integrated and comprehensive policy packages that would holistically tackle development constraints. Furthermore, the development agenda should be refocused on more inclusive national strategies, with a view to reducing inequalities within countries. This could be achieved through more progressive tax schemes and the extension of welfare provisions. This proactive approach called for an enabling framework at the international level that would not constraint "policy space" at the domestic level. The issue of "policy coherence" also figured prominently; policies taken across sectors and at different levels should be mutually reinforcing.

42. Participants elaborated on the structural constraints that hindered the ability to implement alternative development strategies in developing countries. Attention was brought to the "massive lack of finance", especially in LDCs. In the face of stagnating aid flows, the rising debt burden, narrowing tax bases, and price and exchange-rate volatility, there was a pressing need to mobilize new resources for development, both domestically and internationally. Some innovative tools were enumerated: blended schemes, such as combined grant and loan instruments; concessions, including build-operate-transfer (BOT)

schemes; debt-for-equity and debt-for-environment swaps; a closer alignment of aid with domestic industrial policies, including through budget support and support to sectoral policies; and enhanced access to credit for small and medium-sized enterprises, including by strengthening banks' risk assessment.

43. Some speakers emphasized the need for increased focus on clean growth poles, arguing that they served the dual purpose of supporting industrialization and addressing the challenges associated with climate change. It was stated that the *Trade and Environment Review 2009/2010* had recommended that developing countries should focus on three promising poles: (a) energy efficiency; (b) sustainable agriculture, including organic agriculture; and (c) renewable energy technologies. These poles could generate positive spillover effects, but in order to be implemented, they would require economic incentives and the removal of perverse incentives, as well as leadership and political commitment, and human, business and technological capacities. It was also acknowledged, however, that there could be a trade-off between environmental sustainability and poverty eradication.

44. Particular attention was paid to institutional and governance issues, where important lessons could be drawn from innovations at the national level. Many speakers depicted a reluctant State, detached from its citizens and their daily problems. Central to this state of affairs was the dependence of governments on aid, which rendered them accountable to Western donors and the Bretton Woods institutions. Monitoring and evaluation systems were designed by donors, leaving citizens in the dark as to the ways in which the ODA was spent and the results it achieved. The issue of accountability was raised vigorously by some participants from Africa, who pointed to the perceived failure of policymakers to implement policies that would respond to local needs, particularly in the food security area. It was acknowledged that there was a need to restore trust between governments and the people through enhanced multi-stakeholder involvement in policymaking, and also in monitoring the implementation of policies.

45. The food security issue figured prominently. Despite the abundance of resources in terms of land, water and manpower, famine continued to threaten the lives of large population segments. Some civil society organizations had taken it upon themselves to pressure the state into action by advancing the right to food. This was the case of India, where the right to food had been translated into a legal entitlement, enforceable before the courts. Since then, the State had been investing heavily in ensuring the right to food, with a total budget of over $10 billion and a comprehensive programme involving over 2,000 civil society organizations.

46. With reference to Africa, it was emphasized that the underlying causes of the recent food crisis had been the legacy of export-oriented development strategies, which had prompted a shift from producing staple foods for local needs to exporting cash crops, coupled with long-standing underinvestment in rural areas. There was a need to refocus on the production of staple foods and on food self-sufficiency, but this would involve an exemption of food security–related policies from the ongoing trade negotiations. Attention was also drawn to public sector procurement initiatives. India had managed to reduce its exposure to the global food crisis, as the Government was the largest procurer of food and provider of subsidized food to the poor. Agricultural development was critical for improving food security conditions, kick-starting industrialization, and establishing relations of trust between the State and society.

47. Some speakers took issue with the notion of "alternative development strategies", pointing out that this could only lock the debate into state versus markets terms. The focus should be on establishing "pragmatic policies" to allow for greater emphasis on "experimenting". Yet others stressed moving towards a human rights–based approach to development, as a way of capturing the interlinkages between the competing social and economic policy issues.

48. The long list of issues to be tackled raised the need for sequencing and prioritization. A strong case was made for prioritizing food security and food self-sufficiency, as these were

matters of human dignity and identity, and were of paramount importance. Effective policies on food security would also contribute to restoring public trust in governments. Finally, it was noted that, if people were involved in decision-making, this question would not matter: once you have mobilized people, you have prioritized issues, reflecting their needs.

IV. Plenary session 4

Closing

49. The closing plenary was chaired by Mr. Jean Feyder, President of the UNCTAD Trade and Development Board. The keynote address was delivered by Ms. Mary Robinson, President of Realizing Rights: The Ethical Globalization Initiative, and former United Nations High Commissioner for Human Rights. Following the closing address, Mr. Debapriya Bhattacharya, Special Advisor on LDCs, UNCTAD, summarized the discussions of the Symposium. Concluding remarks were then made by Mr. Jean Feyder, and by Mr. Petko Draganov, Deputy Secretary-General of UNCTAD.

50. In opening her address, Ms. Robinson recalled the last 12 months, during which global trade had fallen sharply and the world had stood on the verge of a depression. She said that while a fragile recovery was under way, focus was still lacking on the “people at the centre of these crises”. The lack of progress by many countries in addressing persistent problems of inequality and social exclusion meant that the most vulnerable would continue to face poverty. As a result, many countries would not reach the Millennium Development Goals by 2015. Accordingly, ways had to be found to hold governments to the commitments made to the MDGs, in the Paris Declaration on Aid Effectiveness, and in the Accra Agenda for Action.

51. Ms. Robinson emphasized the need to examine development policies that would respond to global economic turmoil, lack of food security, and climate change. There needed to be a much sharper focus on what really constitutes sustainable development, and there was a need to tackle inequality, end discrimination and exclusion, and strengthen meaningful participation by all stakeholders in development decision-making. Ms. Robinson stated that trade and investment policies needed to reflect an orientation towards empowering the poor, and that the work of the Commission on Legal Empowerment of the Poor pointed the way to empowerment through four pillars, namely, access to justice, labour rights, land rights, and business rights.

52. Ms. Robinson drew attention to the importance of women and girls within development, and to the importance of women in the informal sector. Giving women’s agencies a voice in development was a key factor in enabling breakthroughs in all of the MDGs. However, there were too many examples of discrimination against women. Too many countries undervalued women in society, despite women being such a force for beneficial change in society. Ms. Robinson stated that positive changes could ensue when women’s and girls’ rights were protected in society.

53. Ms. Robinson stressed that accountability was critical to the achievement of development goals. Developed countries must deliver on their aid promises, and governments should be held accountable for creating and spending budgets that support development priorities. Holding all governments accountable would mean that the $20 billion pledged for supporting agriculture would materialize, and that foreign investment in Africa would be translated into real improvements at the level of people and households. In addition to investment, of key importance to development was an emphasis on policies to encourage the rule of law, which was crucial from an investment point of view.

54. The notion of shared responsibilities was also a key factor in global development. This involved recognition that there were shared responsibilities across national boundaries, especially in the areas of trade and climate change. Bridging the climate and economic

reform agendas was challenging. Nonetheless, there was a need to learn from the many success stories where local economies were growing in ways that were based on sustainable agriculture and forestry and on the use of low-carbon technologies to expand energy provision for domestic and industrial use. Access to electricity could be said to be one of the missing MDGs, since 1.6 billion people worldwide had no access to electricity.

55. The human rights principles of accountability, participation, non-discrimination and transparency were the building blocks of lasting and people-centered development. Discussions throughout the final plenary were focused around the need for job creation, the need for countries to achieve food sovereignty, and the need to address unfair trade policies prioritizing consumers rather than producers. The importance of the distinction between the economic crisis and the food crisis was highlighted. It was observed that a new, increased interest in food and agricultural production was in evidence at UNCTAD, which could address the serious issue of food security and the right to food.

56. The Symposium stressed the need to create a closer link between the development agenda and a rights-based approach in order to achieve the MDGs. Policies should prioritize the right to work, rather than being solely focused on the need to contain inflation. Massive capital flow speculation was a driver of vulnerability and should be regulated, while from the perspective of the real economy, production capacity should be enhanced. Funding could be strengthened towards meeting the enormous needs of developing countries, thereby creating employment, wealth and new prospects for trade. Job creation remained a serious challenge in developing countries, even after the implementation of trade liberalization policies that were intended to contribute positively to employment.

57. The closing plenary summarized the Symposium with reference to the two principal elements of the meeting: the global crises and new development paths. It noted that the crisis was far from over, and that although the long-term implications of the crisis were still unknown, its immediate consequences were apparent. Among these, the Symposium noted that the MDGs would not be achieved, ODA flows were declining, banks were lending less to productive sectors, the food crisis would persist, commodity price volatility would resume, remittances were more resilient, protectionist tendencies were increasing, and no consensus had been found on global warming. As far as the response was concerned, the Symposium emphasized the importance of giving a voice to the G-192 in containing the crises. It deplored the fact that no reform of global economic governance had been achieved, and that the United Nations, as the most representative body to undertake a global governance debate, was sidelined. The role of active civil society, especially NGOs, was emphasized in discussions about ways to bring about changes to the system.

58. Some of the strongest messages from the Symposium were that the conventional development model had shown its inadequacy to ensure stability and growth, and that there was a need for alternative paths based on in-depth reforms. The importance of the United Nations as a prime multilateral platform was emphasized, while civil society organizations also had a major role to play.

59. Elements of this new development path may include an enabling macroeconomic framework, an agriculture policy focused on assisting producers to secure their livelihoods, the promotion of wage-based processing activities, infrastructure-building with effective use of public–private partnerships, sustainable growth with access to clean technology, universal social protection, and the enhancement of South–South cooperation. Furthermore, in order to address global economic governance, the Symposium recommended making the multilateral system more effective and inclusive, changing the international financial architecture, and promoting international tax cooperation. Emphasis was also placed on a coordinated exchange rate management, the inclusion of productive capacities-building and rights-based issues in the MDGs, and the importance of a coherent architecture for climate change.

United Nations TD/B/57/5/Corr.1

United Nations Conference on Trade and Development

Distr.: General
6 July 2010

English only

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Fifty-seventh session
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Corrigendum

Paragraph 15

1. *For* climate-change mitigation *read* climate-change mitigation and adaptation

2. *For* about $30 million by 2020 *read* $30 billion by 2012 and $100 billion by 2020

Paragraph 23

1. *For* where the North had adopted countercyclical policies while the South could not *read* where the North had adopted countercyclical policies while the South often could not

United Nations

TD/B/57/5/Add.1

United Nations Conference on Trade and Development

Distr.: General
7 July 2010

Original: English

Trade and Development Board
Fifty-seventh session
Geneva, 15–28 September 2010
Item 11 of the provisional agenda
Hearing with civil society

Report on the second UNCTAD Public Symposium

Responding to global crises: New development paths

Contents

Annex

Summary of the eight breakout sessions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

United Nations Conference on Trade and Development

Distr.: General
9 July 2010

Original: English

Trade and Development Board
Fifty-seventh session
Geneva, 15–28 September 2010
Item 11 of the provisional agenda
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Corrigendum

Paragraph 7

To the list of panellists *add*

Mr. Jean Feyder (Luxembourg), President of the UNCTAD Trade and Development Board

Paragraph 11

For the existing text *substitute*

11. Several speakers also recommended automatic tax-information exchange, country-by-country financial reporting by multinationals, and global taxation – such as carbon taxes and financial transaction taxes – as this would promote sustainability in the global economy and free up resources for productive investment in countries with low income. Allowing special drawing rights (SDRs) to be used for cheaper borrowings in the financial market and conversion to hard currencies without building up more debt should also be considered, especially for the least developed countries (LDCs). Global monetary system reforms were also required to prevent currency speculation and trade distortion. In addition, it was emphasized that regional financial and monetary initiatives – such as the three pillars of the new financial architecture being developed in Latin America, which included a type of "regional SDR" known as the *Sistema Unitario de Compensación Regional de Pagos* (SUCRE) – were an essential complementary "bottom-up" avenue to monetary reform, in which global SDRs could essentially fulfil the function of lender of last resort to support regional monetary frameworks. It was argued that effective regional monetary initiatives

were essential to avoid a geopolitical development whereby the countries whose currencies formed the global SDR basket (the United States dollar, the euro, pound sterling and the yen) would have undue ascendency in global monetary reform discussions, with the associated risk of unbalanced outcomes. The recent build-up of massive reserves in developing countries reflected a lack of trust between countries, and should be addressed in tackling global imbalances. An early warning system was needed, but one with the “teeth” to make itself heeded. The response to the crisis should also include more structural changes, which, although destroying some jobs, would create other jobs elsewhere, contributing to a more sustainable type of growth.

Paragraph 29

For the existing text *substitute*

29. New regional financial and monetary initiatives could be a way for governments to regain some lost policy space. In the case of Latin America, a group of countries was in the process of constructing a regional financial and monetary cooperation framework, which, it was suggested, would not result in tighter fiscal and monetary restrictions of the type associated with the eurozone experiment. The European monetary construction was said to be heavily influenced by neoclassical and monetarist theories, which reduced domestic sovereignty and policy space. Instead, new regional and monetary initiatives should serve a new concept of sovereignty geared to serving the democratic aspirations of people and aiming at opening new degrees of manoeuvrability in financial and macroeconomic terms. The new regional financial architecture under construction by a group of Latin American countries was composed of three pillars: (a) a regional development bank; (b) a common reserve fund; and (c) a regional settlements clearing system based on a new currency unit called the *Sistema Unitario de Compensación Regional de Pagos* (SUCRE). In contrast to the euro, the SUCRE would not replace national currencies, but rather coexist with them and support them. It would also enable a lessening of the use of hard currencies in intraregional trade. The three pillars taken together could thus help shield national economies from the vagaries of global financial markets, while enabling public policy to better direct finance towards supporting local productive investment initiatives and goals of full employment.