



United Nations Conference on Trade and Development

Distr.: General
5 February 2008

Original: English

Preparatory Committee for UNCTAD XII

Geneva, 26 January – 1 February 2008

Report of the hearing with civil society and the private sector

Geneva, 28 January 2008

Note by the UNCTAD secretariat

1. The Preparatory Committee for UNCTAD XII, established by the Trade and Development Board at its fifty-fourth session, decided at its meeting of 2 November 2007 to hold two half-day hearings with civil society. The first was held 28 January 2008 and the second will be held 3 March 2008.

I. Opening remarks

2. Following the welcome by the President of the Trade and Development Board, the Secretary-General of UNCTAD noted that the twelfth session of the United Nations Conference on Trade and Development (UNCTAD XII) would include a civil society forum, and highlighted the fact that the World Investment Forum, to be held immediately before the main event, would include participants from the private sector, civil society and experts. He touched on the main findings of his report to UNCTAD XII and expressed the hope that the hearing would identify ways in which UNCTAD could improve its work.

II. Sub-theme 1

Enhancing coherence at all levels for sustainable economic development and poverty reduction in global policymaking, including the contribution of regional approaches

3. Many participants reaffirmed that UNCTAD was the focal point within the United Nations system for trade and development and related issues. They called for UNCTAD's mandate on trade and development to be strengthened. That would be especially important at a time when the Doha Round of trade negotiations had reached a stalemate and progress towards the internationally-agreed development goals was insufficient. In that context, it was felt that UNCTAD should be given a clear mandate to work towards a new vision on the contribution of trade to development. It was

stressed that UNCTAD should focus on its comparative advantages, such as its expertise in specific fields, and not try to address all the issues related to the international financial and monetary system and the coherence of that system.

4. Many participants highlighted the need for UNCTAD to remain intellectually independent. According to some of them, it was important to question the dominant economic model and propose alternatives, as well as to assess trade rules and the possible impacts of the current Doha Round of trade negotiations on countries' rights to development. It was felt that UNCTAD's research and analysis should be ahead of the curve in order to challenge the conventional wisdom. One participant said that UNCTAD XII should take stock of the deadlock in the Doha Round and recognize the failure of the international trade and financial systems to adequately address the challenges faced by developing countries. That analysis would pave the way for a genuine cooperative effort towards a sustainable model of globalization. One participant added that human beings should be at the centre of UNCTAD's analysis, and that point needed to be made even more prominent in dealing with the issue of distribution of globalization's benefits. Another participant called for decent and productive employment creation to be mainstreamed into UNCTAD's work.

5. Many participants complained that too much focus was being given to economic liberalization as the key for growth. They said that had produced winners and losers, showing that the one-size-fits-all approach did not work. Globally, recent events in the world economy continued to prove that market forces might not only be inefficient, but could harm social cohesion and gender relations, while resulting in greater economic and social instability at national levels. The meaning of "efficient allocation of resources" was questioned. It was asked whether efficiency was to be evaluated on the basis of economic growth, employment creation or public access to education and health.

6. One participant highlighted that free trade agreements (FTAs) could undermine the multilateral and regionally-based systems. The undermining of the latter would be particularly harmful for development, as regional agreements had an important role to play in development through the pooling of reserves, market expansion and diversification. Another participant stressed that the multilateral negotiations remained the priority for developed countries and that – since not all countries could undertake the same commitments to trade rules – special arrangements were needed for some of the least developed countries. It was also pointed out that high tariffs and non-tariff barriers in South–South trade were an important issue that needed to be addressed.

7. Many participants made the link between trade agreements, in particular FTAs, and the policy space lost due to these agreements. According to some, the financial institutions and multilateral and bilateral trade agreements allowed little flexibility. The limited and illusory gains in market access in exchange for signing other trade-related issues such as investment and intellectual property rights could hamper development. Several participants praised the concept of policy space, highlighting that it should not be constrained by ideological barriers, and called on developed countries not to eliminate it. However, another participant highlighted that existing rules allowed flexibilities to developing countries and UNCTAD's role could be to elaborate on how to best use these flexibilities.

8. One participant stressed the importance of increasing aid, as the promise of developed countries to increase aid to gross national income ratio was still below the target of 0.7 per cent. Another participant said that Aid for Trade should be clearly separated from development funding, and there was a need for objective criteria for monitoring and evaluating aid. Another highlighted that some donors had committed themselves to increasing aid, including Aid for Trade, and that UNCTAD could play an important role in the implementation of that aid.

III. Sub-theme 2

Key trade and development issues and the new realities in the geography of the world economy

9. Several participants emphasized that too much should not be asked of developing countries in multilateral or regional trading negotiations. That would limit their policy space for applying measures in line with their development needs and would go against the principle of special and differential treatment. That was the case in respect of intellectual property issues, which were linked to technology transfer and prices of medicines, or services trade in mode 4, which concerned mobility of labour and skills. It was emphasized that such policy space should not be constrained by ideological barriers. Reciprocity in trade negotiations operated to the disfavour of developing countries, given their weaker positions and capacities. The limited and illusory gains in market access obtained in FTAs or regional trading agreements (RTAs) in exchange for concessions on issues such as investment and intellectual property rights were not worth it.

10. One participant stressed that the preferences obtained from such agreements would be eroded the more these agreements proliferated. It was also stressed that FTAs or RTAs could undermine the multilateral trading system. However, several participants stressed the benefits of South–South RTAs, which allowed pooling of financial reserves, market expansion and diversification, stimulating investment and exchange of best practices. It was requested that UNCTAD work on RTAs and making them compatible with the multilateral trading system, and with development goals. One participant stressed the need to link trade policies with the world situation. Otherwise, social problems and violence would ensue.

11. Representatives of a developed country regional grouping insisted that the trading demands being made of developing countries were in line with their development levels and abilities, taking into account differences among them, particularly the special needs of least developed countries and vulnerable economies. The existing trading rules already allowed sufficient flexibilities to developing countries, and UNCTAD's role could be to elaborate on how to best use these flexibilities, sticking to where it had comparative advantage without going into rule-making or dealing with issues that were within the mandate of other organizations. The representatives also stressed that the Doha Round negotiations remained the priority for their grouping, but it was necessary to proceed on parallel tracks to enable countries to advance in areas not dealt with by the World Trade Organization (WTO), such as investment, competition or government procurement. To avoid undermining the multilateral trading system, appropriate and clear disciplines could be adopted by WTO. The issue of high tariff barriers to South–South trade needed to be addressed.

12. Several participants emphasized the importance and gravity of problems relating to commodities, including (a) the overdependence by a large number of developing countries, particularly in Africa, upon commodities and exports; (b) their being confined to that limited role in the international division of labour; (c) high price volatility; (d) continuing low prices for some commodities and a price boom in others, causing problems for developing country importers of petroleum and food; (e) links with poverty in developing countries; (f) subsidization and other support provided by developed countries to their agricultural producers; and (g) the distribution of gains from the sector, with most profits accruing to processors and distributors in developed countries, whereas developing country producers received only a pittance. It was emphasized by all speakers on that topic that UNCTAD should give priority attention to that field. One participant requested that UNCTAD provide technical assistance and help in obtaining better prices, partnerships with investors and commercial links to small agricultural producers based in Africa.

13. The question of market concentration of food and clothing retail in developed countries – and the resulting anticompetitive practices or buyer power – was raised, as was the issue of concentration in the tourism sector. It was requested that UNCTAD address policy responses to such problems. The difficulty of acceding to developed country markets because of non-tariff barriers was stressed, and it was requested that international standard-setting should be reformed to better include developing countries and avoid corporate interest dominance. The importance of Aid for Trade to help developing countries boost their trading capabilities and competitiveness was highlighted by all speakers, and it was stressed that UNCTAD should play an important role in providing such aid. It was also requested that UNCTAD provide assistance to boost entrepreneurship in the informal economy in developing countries.

IV. Sub-theme 3

Enhancing the enabling environment at all levels to strengthen productive capacity, trade and investment: mobilizing resources and harnessing knowledge for development

14. The discussions under that item focused on the negative consequences of current investment policies and practices in many developing countries. Most representatives found that not enough attention was paid to the heavy costs of attracting foreign direct investment (FDI) and the race to the bottom among developing countries. There was a need to rebalance the interests of host countries, their labour forces, communities and sustainable development with the interests of foreign investors.

15. Hence, UNCTAD was invited to contribute to policy responses through sector- and country-level cost-benefit and quality–quantity analysis of the economic, social, labour, environmental, tax and gender implications of policies to attract FDI. That would require a revision of the criteria and methodology UNCTAD used for its investment policy reviews. Other criteria suggested for an exhaustive and multi-stakeholder assessment of FDI policies included their impact on the achievement of Millennium Development Goals and poverty eradication, respect for human and labour rights, environmental protection and population well-being (e.g. decent incomes, housing and health care).

16. It was felt that UNCTAD should encourage quality investors to continue to serve as models, to go beyond corporate social responsibility and embrace International Labour Organization guidelines on FDI, to facilitate the transfer of technology and knowledge to developing countries.

V. Sub-theme 4

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

17. Participants from civil society organizations and delegates from member States agreed on the importance of strengthening UNCTAD to fully serve its role as the only international organization dealing with trade and related issues from a development perspective.

18. As noted by a large number of civil society organizations and member State delegations, intellectual independence was a must for strengthening UNCTAD. UNCTAD was expected to analyse the failures of the multilateral system, to provide alternative options and challenge current perspectives. In that regard, several civil society organizations encouraged UNCTAD to continue including a strong development perspective and to reinforce human considerations.

19. Civil society organizations made specific proposals on the institutional structure of UNCTAD, including:

- (a) Establishing a monitoring and follow-up mechanism to verify the implementation of resolutions;
- (b) Allowing all stakeholders, including community organizations, parliamentarians and the private sector, to contribute to UNCTAD intergovernmental debates (including a call to allow the participation at UNCTAD's intergovernmental debates in the area of information and communication technologies of those non-governmental organizations with consultative status at the World Summit on the Information Society.); and
- (c) Strengthening the role of UNCTAD at WTO.

20. More generally, several participants suggested that UNCTAD's work should take into account national priorities, focus on results, use differentiated strategies according to specific national circumstances, and give full consideration to the limitations of the globalization context. Moreover, UNCTAD was encouraged to work in collaboration with other United Nations agencies and to adopt best practices.

21. Several civil society organizations noted that strengthening the role of UNCTAD also relied on the selection of the substantive issues on which UNCTAD should play a role, and not simply on enhancing UNCTAD's institutional structure. For instance, several civil society organizations expected UNCTAD to be able to work on a wider number of issues of importance for development that were crucial in the current context. However, a group of member States stressed that prioritizing UNCTAD's work was essential to render it effective.

22. Several civil society organizations highlighted the role that UNCTAD played in the area of science and technology, innovation, and information and communication technologies, and noted the importance of the transfer of technology for development. Furthermore, a number of civil society organizations, given UNCTAD's development perspective, requested further involvement of UNCTAD in issues of intellectual property rights. In that regard, a group of member State delegations noted the role of the World Intellectual Property Organization as the international organization for intellectual property and its recently adopted Development Agenda.

23. The integration of a gender perspective on the work of UNCTAD, in particular ensuring that the evaluation of sound policies included an assessment in gender terms, was another area of concern for several civil society organizations. In that regard, a group of member States supported the importance of gender perspectives and offered to discuss further how best gender concerns could be addressed in the work of UNCTAD.

24. Participants also noted other substantive areas where UNCTAD's research could make a contribution, including:

- (a) Addressing the impact of free trade agreements on development;
- (b) Improving the understanding of economic conjuncture to support good practices in debt relief;
- (c) Improving South–South competitiveness policies and promoting market access to support the expansion of African exports;
- (d) Addressing the challenge that increasing demand for biofuels posed to trade and the right to food;
- (e) Strengthening research on the economic and environmental impact of extractive industries;

- (f) Reinvigorating UNCTAD's work on transnational corporations to ensure that they addressed environmental issues and human rights; and
- (g) Conducting research and analysing the socio-economic impact of pandemics – such as AIDS – and climate change.

25. A group of member States, while concurring with many of the above suggestions regarding the substantial areas in which UNCTAD should work, noted that, in order to strengthen UNCTAD, its intergovernmental machinery should be reinforced and its technical assistance should be mandate-driven and overseen by a multilateral forum.

26. For another group of member States, strengthening UNCTAD relied on its ability to speak with one voice, to strengthen linkages among its three pillars and to encourage debates (and their dissemination) that led to concrete results and changes in policies and practices.
