



## United Nations Conference on Trade and Development

Distr.: General  
15 March 2012

Original: English

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### Thirteenth session

Doha, Qatar

21–26 April 2012

Item 8 of the provisional agenda

**Development-centred globalization:**

**Towards inclusive and sustainable growth and development**

## Report of the hearing with civil society and the private sector

Geneva, 7 March 2012

Note by the UNCTAD secretariat

### Introduction

1. The Preparatory Committee for UNCTAD XIII, established by the Trade and Development Board at its fifty-eighth session, decided at its meeting of 11 July 2011 to hold a half-day hearing with civil society and the private sector. The meeting was held on 7 March 2012.
2. After an introduction by the President of the Trade and Development Board, the Deputy Secretary-General of UNCTAD welcomed this opportunity for interaction with civil society, stating that the Conference would include a Civil Society Forum from 17 to 25 April, and that its Civil Society Declaration would be presented at the opening plenary of the Committee of the Whole of the Conference on 21 April.
3. For the hearing, three sub-themes as indicated below were identified, and they were discussed sequentially. However, as these sub-themes were not mutually exclusive, discussions under each sub-theme freely touched upon the other sub-themes.

### I. Sub-theme 1

#### Global sustainability challenge: Challenging course in addressing multiple crises

4. The discussions on this sub-theme revealed various civil society perspectives on the need for new and innovative approaches to address recent multiple crises of the global economy, specifically covering the matters of finance, food, energy and climate change.

Many participants echoed the serious effects of these crises, particularly on the weakest segments of the international community, as they had lost jobs while not benefiting from social protection. Many participants stressed the need for a new development paradigm. One speaker called for a global partnership in order to allow for overarching stakeholder participation.

5. Particularly urgent to many was food security. Some representatives suggested the need to “get food out of the commodities market”, possibly with a plan of “a global green Marshall Plan.” Some others also suggested that the subject of adequate availability of food should be taken up in the context of the right to development.

6. As for the role of UNCTAD, one representative emphasized that the organization should concentrate on the work that would have brought about positive impacts on vulnerable groups in general. Some underlined that the issue of gender should be an integral part of UNCTAD thinking. Many participants expressed the view that UNCTAD should play a major role in addressing and preventing multiple crises in the years to come.

## II. Sub-theme 2

### **Making finance work for an inclusive real economy and sustainable development**

7. The discussions here mainly dealt with reform of the international financial architecture to reduce systemic risks and make work for people and the real economy. Several representatives pointed out that the collapsing financial markets in the North after the 2008 crisis had made it more difficult for many in the South to finance their own development. These crises, which were partly the result of finance-led globalization, had created greater instabilities and inequalities within and among societies. Some representatives expressed their concern that private finance (particularly foreign direct investment (FDI)) had taken over the role of public finance.

8. Several participants called for UNCTAD to have a greater role in addressing the challenges of reforming the international financial architecture in order to make finance work for people, with the aim of achieving inclusive and sustainable development. In addition, participants were also concerned about the lack of an effective debt crisis resolution mechanism, and encouraged UNCTAD’s work on responsible lending and borrowing principles in order to promote debt sustainability.

9. Many representatives are appreciative of UNCTAD’s analysis on macroeconomic and social policies. They welcomed UNCTAD’s thinking of the relationship between trade and financial policies, as well as its suggestion of removing harmful conditionality, which tends to undermine sustainable development. One participant drew attention to austerity measures as the conventional response to fiscal and debt crises, in spite of evidence that such measures had most often led to a vicious cycle of contraction and further damage.

10. Several participants were hopeful about UNCTAD playing an important role in addressing some major challenges in reforming the monetary system, such as (a) rebalancing/coordinating trade deficit and surplus countries; (b) ensuring adjustments were non-recessionary; (c) limiting exchange rate volatility; and (d) enabling mechanisms for the generation of development and climate finance. For some, limiting volatility of exchange rates was a particularly urgent issue, since increased levels of exchange rate volatility had strong impacts on trade performance through channels such as domestic investment, export prices and financial products. The construction of regional financial architectures for alternative sources of more inclusive development finance was also emphasized.

11. Some participants expressed their concern that the existing rules on trade in financial services were developed on the basis of a paradigm of self-regulation, and called for the re-regulate of financial and capital flows at the national level. One participant mentioned the increasing vulnerability of developing countries due to financialization of commodity markets, and called for much tighter regulation in this respect.

### **III. Sub-theme 3**

#### **Addressing policy space challenges in trade and investment agreements**

12. Discussions here mainly were concerned with the range of policy space challenges in trade and investment agreements. Several participants pointed out that these agreements could limit policy space and pose challenges on implementing development policies.

13. One participant emphasized that UNCTAD should look at the content and form of international investment agreements (IIAs) that would promote positive investment and screen out harmful or “predatory” ventures, for example, by (a) including in the preamble a statement of purpose that was development-centred; (b) reviewing the investor–State dispute settlement system; and (c) enhancing transparency in dispute settlement, especially when related to public policy. Speakers seemed to agree that there was a need for balance between the protection of and obligations on investors. Several representatives expressed the view that UNCTAD’s research on these presumed that such agreements would be positive to developing countries. One participant submitted that UNCTAD should focus on the interest of developing countries and see that the rules that were being crafted were not going to hamper their development objectives.

14. Several participants stressed that there was a need for policy coherence between investment agreements and development objectives, and that UNCTAD should take up a monitoring role in that context. Emphasis was also drawn to the need for more cooperation between UNCTAD and human rights bodies within the United Nations, especially as the topics discussed within UNCTAD were highly relevant for human rights and development. The responsibilities of home countries and the extraterritorial human rights obligations of States were also emphasized.

15. Another speaker pointed out that the relationship between IIAs and investment inflows had to be re-thought as there were countries – e.g. Brazil – that received FDI without having signed IIAs.

16. One participant stated that new governments after the Arab Spring were being pushed toward trade liberalization and investment protection frameworks, notably in the areas of agriculture and government procurement. The new situation had limited the policy space needed by developing countries to address development challenges. Concerns were expressed that there seemed to be an erosion of the Special and Differential Treatment that developing countries were entitled to under the World Trade Organization Agreement.