

**UNITED NATIONS CONFERENCE ON TRADE AND  
DEVELOPMENT**

***UNCTAD-Civil Society Dialogue***

on selected development issues being addressed by  
the United Nations system

(Geneva, 10 December 2001)

*Papers prepared in support of the issues discussed*



**UNITED NATIONS  
New York and Geneva, 2002**

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## FOREWORD

The 20th century witnessed the emergence of civil society as one of the most relevant forces of change ever to affect international relations. The first international organizations – the League of Nations and especially the International Labour Organization – were founded on the basis of large movements of civil societies in a number of countries. In fact, the tripartite structure of the ILO dictates the participation of civil society in an international institution that is responsible for the formulation of labour rules. Since that time, the role of civil society in the international arena has grown without interruption, reflecting and sometimes stimulating the dynamics of national democracies. Concepts such as transparency and good governance, environmental management, human rights and social values could not have been successfully transferred from the domestic to the international sphere without the crucial impetus provided by groups of citizens the world over.

Today we are used to the participation of a wide range of non-governmental organizations in all subjects on the international agenda. The variety of topics dealt with in this book demonstrates that there is probably no area of international policy that can still be considered a monopoly of government. The groups representing civil society are increasingly well organized and have become the main non-economic transnational force. They are “globalized” in the sense that the values they share are not circumscribed by national borders; and they also contribute to the dissemination of ideas, cultures and perspectives on international issues. International public opinion of the 21st century, as expressed by civil society, is an explosion of variety compared to the relatively narrow diversity of the late 20th century.

In parallel to the increased involvement of civil society in international fora, another phenomenon is emerging: non-governmental groups are having an almost immediate impact on shaping the international agenda, whereas until quite recently there was a much longer time span between the rise of an economic or social idea at the international level and its formulation as an international rule. A recent example provided by the trade agenda illustrates how fast such a process can occur: in early 2001, the issue of the price of drugs and its effects on health policies of developing countries was debated in only a few countries. Several months later, in June 2001, the WTO held a special meeting on that issue. In November 2001, at the WTO Ministerial Conference in Doha, a Ministerial Decision clarified the scope of intellectual property rights and public health policies. The mobilization of civil society was crucial in this rapid evolution of perceptions by international policy makers.

As shown in this book, the international trade agenda contains an increasing number of topics that are generated and fuelled by civil society concerns. Some of them, such as trade and traditional knowledge, are quite new. Others have already taken on a life of their own and may well find their way into international rules in years to come, such as consumer protection or environmental concerns. And as the trade agenda evolves, so is there a growing role for non-governmental actors in national and international decisions on trade policies. We may still find it difficult fully to assess the implications of these processes, but it is clear that they give rise both to unknown complexities and to a wealth of opportunities for shaping the international trade system – particularly from the viewpoint of developing countries. Among the most immediate challenges ahead, civil society will have to play a major role in the International Conference on Financing for Development in Mexico and in the follow-up to the Doha Conference.



Since assuming the leadership of UNCTAD in 1995, I have repeatedly emphasized the importance of civil society in UNCTAD's work if we are to fulfil our mandate in the field of trade and development. UNCTAD has attempted to play an active role – and successfully, I might venture to say – in integrating civil society actors, including NGOs, academia, trade unions and faith-based organizations concerned with development, into its work.

Over the past two years UNCTAD has acted as secretariat for two major conferences: UNCTAD X (Bangkok, February 2000), which addressed trade and development issues at a crucial point just two months after the WTO Ministerial Conference in Seattle, and the Third United Nations Conference on the Least Developed Countries (Brussels, May 2001). Civil society organizations played an active part in both these events, and our organization benefited significantly from their contributions.

It is now time for a stocktaking of our intergovernmental machinery so as to set the stage for UNCTAD XI. The Mid-term Review of the Bangkok Plan of Action, which will mark the halfway stage between UNCTAD X and UNCTAD XI, will be held this year. At the centre of UNCTAD's work stand issues such as trade problems, financing of trade, investment, enterprise development, technology transfer and the linkages among them all. Civil society has an important role to play in addressing these and other related issues, many of which are becoming increasingly common subjects for discussion between intergovernmental institutions and civil society – a most welcome development. Particularly relevant subjects include those with an ethical dimension and those where political and economic decision-making could be influenced for the better by the force of ethical concerns.

A critical problem which civil society may wish to address relates to the manner in which we bring the development perspective into major international negotiations concerned with trade and debt reduction. Such negotiations should be treated not in isolation but in an interrelated fashion. The participation of civil society in this regard will be of particular importance to UNCTAD, as our organization – which does not have a negotiating function *per se* – can generate new ideas and build a consensus on possible solutions that could then be tackled in negotiations elsewhere. Today we also need to focus on preparing developing countries – both Governments and NGOs – for the negotiations that will await them when they seek to join the WTO, and we need to strengthen their fundamental capacities in this respect. Again, in all these matters, the involvement of civil society in UNCTAD's activities can only enhance the quality and effectiveness of our contribution.

UNCTAD is addressing many of the negotiating difficulties faced by countries endeavouring to join the WTO. Since 1994, when that organization first came into being, not one least developed country (LDC) has joined. Clearly, access has become a much more complex process than it was for many of the countries that were already members. The views of civil society on these matters, especially as to how to enhance the participation of LDCs in the world trade system, and a vigorous involvement by civil society in efforts to make that accession possible, could prove greatly relevant to the LDCs' endeavours.

Effective collaboration between UNCTAD and civil society organizations requires, on the one hand, the preparation of sound analysis and persuasive proposals and on the other, the dissemination of such analysis and proposals to parliamentarians, the media and the public at large. A good example of effective collaboration in the area of trade is to be found in the Doha Ministerial Declaration on the TRIPS Agreement and on Public Health. In that document, the right of developing countries to have access to essential drugs at reasonable prices was recognized. The Declaration constitutes a major proactive victory for developing countries and for the defence of

public interest. This achievement – which, as I stressed above, was made possible thanks to the involvement of civil society – should be a source of inspiration for other tasks aimed at making the development dimension of future negotiations a reality.

Cooperation between Governments, international organizations and civil society is bound to prove essential to raising the general level of public awareness of the issues at stake in future negotiations and to reaching constructive and practical solutions to development problems. For the tasks facing UNCTAD, there is a need to intensify the relations between our organization and civil society. We will all gain by moving towards more systematic exchanges and ensuring that we work together consistently in discussing relevant issues and bringing our views to the attention of policy makers. The place of civil society actors in the future work of UNCTAD can only be, indeed, a prominent one.

Rubens Ricupero  
Secretary-General of UNCTAD  
Geneva, February 2002

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## PREFACE

The UNCTAD-Civil Society Dialogue held in Geneva in December 2001 provided an important opportunity for UNCTAD and for the participating civil society actors to come to an understanding on issues of common interest through a constructive exchange of views. The Dialogue was instrumental in building trust, thus enhancing the long-term credibility of both UNCTAD and civil society as partners in trade and development concerns.

Responding to this opportunity enabled UNCTAD to acquire civil society insights on four major issues: (i) progress made in the implementation of the Bangkok Plan of Action, adopted by UNCTAD X in the year 2000, with a view to the preparations for UNCTAD XI in 2004 and possible civil society contributions to such preparations; (ii) the follow-up action to the recent Third United Nations Conference on the Least Developed Countries and the implementation of its Plan of Action through civil society involvement; (iii) development issues related to the forthcoming United Nations Conference on Financing for Development, and (iv) the gender perspective in all this work as a cross-sectoral issue.

Participants made proposals on how best to accompany the process of implementation of the existing programmes; on the monitoring and reviewing of their progress; and on how to ensure an effective civil society impact on the Finance for Development Conference and on the deliberations of UNCTAD XI.

The efforts made for mobilizing civil society at UNCTAD conferences are ever more rewarding if civil society fully participates in the process of the implementation of the results of these conferences. For example, during the negotiations of the Brussels Programme of Action, apart from substantive “issues”, civil society’s main concern was directed to their prospective role in the Programme’s implementation process through various national, regional or global arrangements. Therefore, it was with great satisfaction to see that some civil society representatives participating in the Dialogue represented the constituencies that UNCTAD had acquired during preparations for UNCTAD X and of the U.N. LDC-III Conference. Their active and productive participation in Bangkok and Brussels, both in the Conferences and in the respective NGO fora that accompanied them, proved their professional soundness as well as their commitment to the cause of trade and development from the perspective of developing countries.

As to the forthcoming Finance for Development Conference in Monterrey, Mexico, UNCTAD has long been active in building consensus with regard to the necessity to alleviate the financial constraints on the development efforts of the poorer countries. In this light, it was important to know how civil society actors viewed the alternative ways of mobilizing finance for development and what kind of international arrangements could be made in this respect.

However, during the Dialogue UNCTAD also expressed the belief that a crucial element in the joint efforts of UNCTAD and civil society in furthering the economic and social development of the developing countries – as well as in all other countries – is the strength and quality of the relationship developed by civil society actors with their respective governments. In this respect, there would be a limit to what can be achieved by multilateral organizations like UNCTAD in cooperation with civil society actors without involving their governments as crucial partners.

I wish to acknowledge the contributions made from NGOs, trade unions, faith-based development organizations and academia to this meeting, particularly the role of its Chairperson, *Debapriya Bhattacharya*, Executive Director of the Centre for Policy Dialogue in Dhaka, Bangladesh, in effectively guiding the discussion. The Dialogue could not have taken place without the decisive support from the UNCTAD LDC Trust Fund and the extrabudgetary funds provided by the Government of Norway. I also wish to acknowledge the contribution made by the Civil Society Outreach team within UNCTAD under the guidance of *Gloria-Veronica Koch* as well as that of the editor of this publication, *Frederick Glover*, and all those who have supported the work of the secretariat in contributing to this Dialogue.

Carlos Fortin  
Deputy Secretary-General of UNCTAD  
Geneva, February 2002

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This volume of papers submitted by participants and contributors to the UNCTAD-Civil Society Dialogue in December 2001 was prepared by a team led by Gloria-Veronica Koch comprising the staff members of the UNCTAD Civil Society Outreach (CSO): Levan Bouadze, Amel Haffouz, Dieter Koenig and Jean-Claude Zanga. Substantive contributions were facilitated by Karl Sauvant, Abdelaziz Mezari, Khalil Hamdani, Habib Ouane, Mussie Delelegn, Sliman Bouchuiguir and Jörg Weber. Administrative support was given to the Dialogue and the publication process by the Resources Management Service, in particular, John Burley, Miguel Arnabal and Bernard Inkoom.

Technical inputs were provided by Diego Oyarzun Reyes. The textual preparation and desktop publishing were undertaken by Elizabeth von Gunten and Estela Erb-Paniagua who also provided the related secretarial services. The volume was edited by Frederick Glover.

The financial contribution of the Government of Norway to facilitate the participation of civil society representatives from developing countries in the Dialogue and the production of this publication is also gratefully acknowledged, as well as the contribution received from the UNCTAD LDC Trust Fund.

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READERSHIP SURVEY ON

*UNCTAD-Civil Society Dialogue on selected development issues being addressed by the  
United Nations system*

*Papers prepared in support of the issues discussed, Geneva, 10 December 2001*

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8. **Other observations, if any**

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*PART I*

***CONTRIBUTION TO THE DIALOGUE BY THE UNITED NATIONS  
SECRETARIAT***

*A. UNCTAD Secretariat*

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## BACKGROUND AND OVERVIEW OF THE DIALOGUE

by  
Dieter König<sup>1</sup>  
Officer-in-Charge  
Civil Society Outreach (CSO)  
UNCTAD, Geneva

### I. BACKGROUND

Civil society, as we understand it, is made up of "complex networks" of churches, unions, movements, political parties, etc.<sup>2</sup> While civil society actors do play an ever more important role in global governance, it is not a new phenomenon. On the contrary, the concept of civil society involvement in international affairs has a long history: The Charter of the United Nations was signed on 26 June 1945 in San Francisco, and came into force on 24 October 1945. Since its earliest days, the Members States of the United Nations realized that in order to maintain world peace, an equitable social and economic development was necessary. And for this the participation of non-governmental actors was important. Therefore, the Charter established the Economic and Social Council (ECOSOC) and Article 71 of the U.N. Charter states that:

"The Economic and Social Council may make suitable arrangements for consultation with non-governmental organizations which are concerned with matters within its competence. Such arrangements may be made with international organizations and, where appropriate, with national organizations after consultation with the Member of the United Nations concerned."<sup>3</sup>

While non-governmental actors played a role in U.N. affairs and those of UNCTAD since the earliest days, the rising interdependence of nations have led to "what we have come to think of as global civil society".<sup>4</sup> As a result, nationally and internationally we are witnessing significant change regarding the role of non-state actors as partners in governance.<sup>5</sup>

Secretary-General Kofi Annan has repeatedly said that the U.N. alone can meet none of the formidable challenges posed by poverty, but that these require the efforts of the entire international community:

"Today, global affairs are no longer the exclusive province of foreign ministries, nor are the states the sole source of solutions for our small planet's problems. Many diverse and increasingly influential non-state actors have joined with national decision-makers to improvise new forms of global governance. The more complex the problem at hand (...) the more likely we are to find non-

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<sup>1</sup> This contribution was prepared by the writer with the substantive support of other staff members of CSO: Levan Bouadze, Amel Haffouz and Jean-Claude Zanga.

<sup>2</sup> For a detailed discussion of the concept of civil society see, for example, Wapner, Paul. (1997). "Governance in Global Civil Society", in Oran R. Young (ed.) *Global Governance*. Cambridge, MA and London: MIT Press.

<sup>3</sup> United Nations. *Charter of the United Nations and Statute of the International Court of Justice*. New York: United Nations, (no year), pp.36-37.

<sup>4</sup> Oran R. Young, 'Global Governance: Toward a theory of decentralized world order', in: Young, op.cit., p. 273.

<sup>5</sup> Ibid., p. 295.



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governmental organizations, private sector institutions and multilateral agencies working with sovereign states to find consensus solutions".<sup>6</sup>

On the basis of the decision to enforce UNCTAD's civil society outreach lies also the realization that government and civil society may sometimes have differences, though not necessarily insurmountable ones. Needless to say, global economic relations and the impact of globalization on individual states and individual people are among the most complex ones we could face. However, the dialogue between governments and civil society in UNCTAD's Expert Meetings and Commissions, for example, could facilitate the finding of answers to the economic and social questions that have been asked by governments, and identifying those issues that still need to be tackled.

## ***II. CIVIL SOCIETY AND UNCTAD X***

In February 2000, the international community met at the UNCTAD X Conference in Bangkok to address pressing issues of the international economic system. A notable feature of the Conference, as well as its preparatory process, was the effort to make it a forum that was as inclusive as possible with regard to the participation of NGOs and other civil society actors, and that allowed a maximum of transparency and openness to public scrutiny.

The UNCTAD X process led to a particular relationship with the NGO community: Only two months before the meeting, the Ministerial Conference of the WTO in Seattle had ended in great difficulty, with NGOs playing a major role in questioning some of the premises of the work of the Conference. Several financial crisis – first in Mexico, then in Asia – had destabilizing effects on the world economy. The traditional approach and structure of such international economic events had not allowed these actors a constructive opportunity to participate in an adequate manner. Furthermore, the effort to conclude a Multilateral Agreement on Investment (MAI) in OECD had been abandoned without an outcome after difficult and protracted negotiations.

UNCTAD X thus took place at a threshold point in time. In conjunction with the Conference, the international NGO community was able to meet in a Forum to discuss and formulate their own views on major economic development issues at stake. Their final declaration was disseminated as an official document to all Conference participants. The Forum was the culmination of a number of activities undertaken by NGOs in preparing for UNCTAD X. NGO meetings had addressed issues such as the effects of globalization, questions dealing with market access, institutions, and the respective roles of UNCTAD, WTO and the international financial organizations. As a result of these deliberations, they had sent the following message to the UNCTAD delegations preparing themselves for the Conference:

“Clear lessons have emerged which must now be integrated into the thinking of intergovernmental organizations such as UNCTAD. The first of these is that economic liberalization must be understood as a means not an end. The end that economic liberalization should serve is the increased over-all human well-being and equity between peoples and nations. The second lesson is that international institutions can only retain credibility and legitimacy by ensuring that their operations are democratic and transparent, that their decisions are of equal

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<sup>6</sup> Kofi Annan. *We the peoples – The Role of the United Nations in the 21st Century*, New York: United Nations, p. 67.

benefit to all, and that the policies are evaluated by their impact on people's lives rather than aggregate national economic indicators".<sup>7</sup>

The Bangkok Declaration and Plan of Action adopted by the UNCTAD X Conference responded to the first point raised by NGOs. These documents expressed a broad consensus to the effect that, although globalization had generated both opportunities and challenges, its impact had been mixed, and poor countries risked exclusion from the global economic system. UNCTAD X called for a new approach for trade policies and liberalization to be more consistent with overall development objectives.

On the second point – about transparency and democracy – UNCTAD X, as an intergovernmental Conference, was truly open to listen to NGO's. Actually, the Bangkok Declaration stated that "UNCTAD's work can serve to address the challenges and opportunities of globalization and inform an open and systematic debate on diverse development issues of global interest among partners in the development process including the private sector, NGO's, academias and parliamentarians".<sup>8</sup> One of the first actions taken in implementation of the Conference's outcome was the establishment, for the first time in UNCTAD's history, of a new team to work exclusively on civil society outreach. The objectives of this new team are to involve civil society actors in the work of UNCTAD and to develop new concepts on how this could be usefully and constructively done with an intergovernmental structure such as UNCTAD.

### ***III. CIVIL SOCIETY AND THE U.N. – LDC-III CONFERENCE***

In May 2001, the international community met in Brussels for the Third United Nations Conference on the Least Developed Countries. The LDC Conference, as a conference of the United Nations as a whole, sought the active participation of NGOs and the involvement of non-governmental organizations worldwide as an in-built process.<sup>9</sup>

By this time, UNCTAD, which acted as the secretariat of the Conference, had a well-established Civil Society Outreach team which coached many NGOs not yet in status with the U.N. through the approval process at the 2nd and 3rd Intergovernmental Preparatory Committee sessions. Civil society played a constructive and stimulating role at the Conference.<sup>10</sup> Eventually, the Conference attracted the participation of approximately 400 NGOs, many of which were drawn from the LDCs, as well as parliamentarians and representatives of the private sector. These representatives were motivated to contribute to the substantive business of the Conference. Many of these actors were accredited for the first time to a U.N. conference.

### ***IV. THE UNCTAD-CIVIL SOCIETY DIALOGUE***

The UNCTAD-Civil Society Dialogue in December 2001 brought some civil society actors together, who had been involved in both UNCTAD X and the UN-LDC-III Conference, as well as others, to discuss their role in the implementation of the action programmes addressed by both Conferences, as well as in debating trade and development issues related to the forthcoming U.N.

<sup>7</sup> Joint statement adopted by the NGOs in preparation of UNCTAD X, delivered to the Trade and Development Board on 17th December 1999.

<sup>8</sup> Bangkok Declaration: Global Dialogue and Dynamic Engagement. (UNCTAD/TD/387).

<sup>9</sup> U.N. General Assembly resolution of 20 December 1999.

<sup>10</sup> In this context, see, for example, under Part II A the contribution by Daphne Davies

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Conference on Finance for Development, Monterrey, March 2002. The issue of development and gender was a fourth, cross-cutting theme of the Dialogue.

The results of the Dialogue are reflected in this publication. The individual contributions are diverse, and perhaps uneven. The purpose of the meeting, and of this publication, however, was not to produce a scholarly work on issues of global governance, but to be a mirror of the diverse views in global civil society over the issues that are crucial on the present agenda of the United Nations and thus to broaden the pool of ideas at UNCTAD's disposal in contributing to solve those issues. As global civil society is "made up of complex networks", it is not homogeneous in its thinking, and this publication presents ideas, which do not necessarily represent the views of civil society as a whole, nor those of UNCTAD itself.

Following each of the contributions by the UNCTAD Secretariat to the Dialogue, the civil society participants made a number of fundamental observations on the basic themes reviewed and raised many questions, not only echoing their formal papers (reproduced in Part II), but also more informally in the discussion sessions. These contributions served to enhance the quality of the dialogue, which was also further augmented through interaction with the UNCTAD participants in providing information, explanations and opinions on the issues raised. The following paragraphs summarize the main ideas and viewpoints that featured in these exchanges during the Dialogue.

Civil society participants questioned whether UNCTAD was giving a wide interpretation in its "stocktaking" exercise on UNCTAD's review of progress made since UNCTAD X; asked whether UNCTAD was working with ILO on the issue of employment creation; enquired whether UNCTAD was pursuing an integrated approach with other U.N. organizations in dealing with developing country and LDC problems; and requested information on how UNCTAD would be dealing with the many issues facing the developing countries in the post-Doha period.

In reply, the UNCTAD secretariat stated that as trade, investment and development cannot be compartmentalized, a holistic approach, as enshrined in the conclusions of the Millennium Summit Conference, had to be taken and then an agreed division of labour amongst the various U.N. agencies. In the case of poverty alleviation, many agencies were already involved with this critical issue. With regard to employment creation, it was pointed out that it is the small and medium-sized enterprises that create employment, and that ILO was primarily working on employment matters.

It was also stressed that UNCTAD had established a Doha Task Force, chaired by the Secretary-General, and that regular meetings were taking place to review the post-Doha situation confronting the developing countries. A specific work programme to assist in capacity building was being developed, to provide support to all developing countries and to countries with economies in transition. It was emphasized that UNCTAD has no constraints in its research and analysis work; and it also has special areas in which it is exercising advocacy of specific measures and solutions. UNCTAD does have a specific mandate and a degree of comparative advantage in trade and development issues and civil society actors should recognize this as a basis for their future cooperative activities. The representatives of civil society responded to this by asserting that civil society and UNCTAD should together move forward from good intentions and research findings towards getting governments to take appropriate action to implement the promises made at various recent international conferences, including the UNCTAD X and the U.N. LDC-III Conference.

Over the years UNCTAD has focused strongly on the concerns of the LDCs, but especially since UNCTAD X, with the increasing participation of civil society. Furthermore, the Brussels Programme of Action speaks clearly of the importance of the role of civil society, especially with

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regard to the implementation of the Programme in the LDCs at the national level. The civil society participants in the Dialogue drew attention to the fact that the original list of LDCs defined by the United Nations consisted of 25 countries, but there were now 49 such countries and also that , although some 22 new Members of WTO had been admitted since 1994, not one of these was an LDC admission. Concern was also expressed by some participants that the Brussels Programme may not have provided effective measures for bringing the U.N. agencies and organizations, including UNCTAD, to work together, and that it may not indicate in adequate detail the responsibilities of the development partners. One of these participants stated that to make adequate progress in improving economic and social conditions of the LDCs, we must look at the root causes of these conditions and take account of moral responsibility and human values. A significant practical question raised was that of how the NGOs could be strengthened in order that they could play a constructive role in implementing the Brussels Plan. It was also reiterated that the diversity of organizations within the U.N. system may militate against taking appropriate international action in a coherent manner.

The UNCTAD response to these observations was that the Programme of Action should be seen as an indicator of what could be initiated as a mechanism to produce an implementation network embracing governments, international organizations and civil society in an integrated partnership.

In the discussion on Financing for Development, it was suggested that international trade provided aspects concerning preparations for the Conference as a critical source of development financing. The civil society participants also stressed that there had not yet been any real movement in changing the international financial architecture, and that it would not be enough only to improve the trading performance of developing countries. The UNCTAD efforts to improve market access for developing countries were therefore strongly commended.

On investment agreements and codes of conduct, the civil society participants showed strong interest in how the developing countries could benefit more substantially from FDI, and also how the UNCTAD training courses for policy makers and negotiators could be more extensively provided to the poorer countries. Representatives of civil society raised questions concerning the ethics of TNC action. It was also stated that most LDCs had great difficulty in attracting adequate FDI. Many observations were made on the quality of FDI, on ways and means of stimulating FDI, on how to target employment-creating and export-oriented FDI, and on formulating an adequate, comprehensive technical cooperation project to deal with these matters in the post-Doha period. It was also strongly advanced that we need better codes of conduct with a fairer balance of rights and responsibilities.

The UNCTAD response recognized the force of many of these statements and also made the point that the issue of whether or not there would be progress made in the immediate future on establishing a Multilateral Investment Agreement (MIA) deserved consideration. Developing countries should be prepared for such negotiations if and when they take place, and UNCTAD should also be prepared to assist them in the negotiation process.

There were many civil society voices raised in support of the idea of a strong international effort to undertake widespread gender mainstreaming as a tangible contribution to improving the trade and development of all developing countries. The UNCTAD contribution to the discussion of gender mainstreaming also emphasized that the only way that a fairer and peaceful world could be brought about is by means of a general acceptance of the critical importance of the gender perspective in development.

Finally, there were also many interchanges between the civil society participants and the UNCTAD secretariat on ways and means for strengthening and widening their future co-operation, and the conclusions reached in those exchanges are reflected in the outcome of the Dialogue reproduced in Part III below. This Dialogue was meant to be only the beginning: UNCTAD wishes to continue such dialogues with civil society actors, such as NGOs, parliamentarians, academics, trade unions and faith-based development agencies, with a view better to serve the world community and the course of development.

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## **FOLLOW-UP TO THE THIRD UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES: UNCTAD AND CIVIL SOCIETY<sup>11</sup>**

*by*  
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### ***I. BACKGROUND***

Over the years, UNCTAD has been playing an exemplary role in promoting dialogue with Civil Society including on issues concerning the least-developed countries. All major conferences organised by UNCTAD have provided unique opportunities for dialogue among stakeholders in the development process. Following UNCTAD IX, which took place in South Africa in 1996 and pursuant to the decision of the Conference, UNCTAD convened a “Partners for Development” Summit meeting in Lyon, France, in November 1998.

The principal objective of this Summit meeting was to forge a pragmatic partnership for development. At this meeting the main actors were drawn from civil society, notably the private sector and the NGOs. In my previous capacity as a delegate from a least-developed country, I had the opportunity to follow one of the debates organized by the NGO Discussion Forum on the topic: “Fair Trade: Trade Serving Development”. The tradition of dialogue between governments and civil society organizations initiated in earnest at UNCTAD IX had continued through UNCTAD X in Bangkok and more recently at the Third U.N. Conference on the LDCs in Brussels (U.N. LDC-III).

The recognition of the important role of civil society, particularly the private sector and the NGOs in the work of UNCTAD on LDCs, dates back to the early 1990s. For example, the Paris Programme of Action for LDCs for the 1990s, in paragraphs 74 and 75, makes explicit reference to the positive role of NGOs in development, particularly in institution-building with conditions that “the NGOs’ role should be distinct and they should abide by national laws and regulations”. The Paris Programme of Action also makes passing references of a similar nature in other paragraphs. Paragraph 65 speaks of “encouraging bona fide NGOs, particularly the indigenous ones and grass-root organisations, in local, community based initiatives”. Clearly, this shows that only a decade ago less attention was given to the role of civil society in the implementation of the then Programme of Action.

The Brussels Conference, on the other hand, was in many ways distinctly different from the previous two Conferences as far as civil society participation was concerned. In addition to active involvement in the national preparatory process, various NGO Forums were organized in parallel with the established intergovernmental process at a global level. Communiqués and press releases were issued by the civil society organizations, which had a noticeable impact on the negotiation process. In the middle of intense negotiations on the trade section of the Programme of Action (Commitment 5), especially on market access, I recall that the pressure from civil society was felt

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<sup>11</sup> This article is revised in line with developments that took place during the fifty-sixth session of the United Nations General Assembly on issues related to follow-up of the U.N. LDC-III Conference.

among development partners. In addition, the parallel events - such as the NGO Forum and that of the Young Entrepreneurs - which took place in Brussels, were instrumental in advocacy and in reshaping international opinion on the development challenges facing the poorest nations of the world. It is clear therefore that, unlike the previous two “programmes of action” for LDCs, the Brussels Programme of Action embraces civil society as an integral component of the development partnership. It is important to note that there are clear references in the political declaration and in the various commitments contained in the Brussels PoA regarding the role of civil society in the development process.

## ***II. FOLLOW-UP ARRANGEMENTS FOR THE IMPLEMENTATION OF THE PoA***

Section III of the Programme of Action (PoA) provides general orientations for the implementation and follow-up of the PoA at national, regional and global levels. The three levels are supposed to be coherent and mutually supportive to one another. In this section, especially paragraphs 92 and 99, the actions required from civil society in the process of implementation of the PoA are indicated. This again shows the recognition by the international community of the important role of civil society in implementing the commitments and actions contained in the PoA so as to accelerate the development process of LDCs.

At the national level, each LDC with the support of its development partners, including civil society organizations, will translate actions and commitments into specific measures within the national development policies and strategies. Existing arrangements such as the World Bank’s Consultative Group and the UNDP’s round table meetings together with other national actors will conduct country reviews.

Regional follow-up should focus on cooperation between LDCs and other countries in a given region or subregion. Relevant U.N. regional economic commissions are expected to conduct periodic reviews of progress at regional and subregional levels in implementing the PoA.

Global level arrangement should, in principle, be primarily concerned with overseeing the coordinated follow-up and reviews of the overall implementation of the PoA and the recommendations and commitments of other global summits and conferences such as the United Nations Millennium Declaration. The U.N. General Assembly, ECOSOC and the governing bodies of other organs and organizations of the U.N. system are assigned specific tasks on issues related to follow-up, monitoring and reviewing of the implementation of the decisions of the Conference.

## ***III. INSTITUTIONAL ARRANGEMENT FOR FOLLOW-UP, REVIEW AND MONITORING***

UNCTAD, as part of its ongoing work, was a focal point for the U.N. system-wide coordination, review and appraisal of the implementation of the Paris Programmes of Action for LDCs during the 1980s and the 1990s. During the preparatory process for and at the Brussels Conference itself the issue of institutional arrangement became a bone of contention between the Member States that wished to maintain the status quo and those that wanted a new institutional set-up to be entrusted. Both sides had strong reasons to advocate, but failed to convince each other. In the middle of this were those Member States taking the position that the creation of any new structure should be “cost neutral” and should not in any way entail the creation of a “new

bureaucracy". With the time allocated for the Conference running out, this issue became more divisive and the positions of the different parties more entrenched.

As a solution, in paragraph 116 of the PoA, the Conference invited the Secretary-General of the United Nations to submit to the fifty-sixth session of the U.N. General Assembly his recommendations for an efficient and highly visible follow-up mechanism, including the possibility of transforming the current Office of the Special Coordinator for LDCs, LLDCs and SIDS into the Office of High Representative. At the time of this negotiation there was no clear understanding among Member States of the meaning of key phrases of paragraph 116 such as "*transforming the current office*", "*High Representative*" and "*Highly visible follow-up mechanisms*", at least in the context of diplomatic languages, or even in the United Nations "language".

Nevertheless, following this invitation, the Secretary-General has submitted his recommendations to establish the *Office of High Representative (OHR) for Least Developed Countries, Landlocked Developing Countries and Small Island Developing States in New York*. According to these recommendations the functions of the Office of High Representative, will be coordinating, monitoring and reviewing the implementation of the Programme of Action for the LDCs for the decade 2001-2010. This means that the report of the Secretary-General clearly delineates between the substantive and technical aspects of implementing the Programme of Action on the one hand, and the coordinating, reviewing and monitoring of the implementation on the other hand.

Accordingly, substantive and technical issues of interest to the LDCs as contained in the PoA will remain within the organs and organizations of the U.N. system. Such distinction seems logical and important in more ways than one, but the practical side of it will be more challenging than expected. The recommendations of the Secretary-General also include the staffing requirements for the OHR, which will be met through redeployment of regular budget posts including some drawn from the UNCTAD section of the Programme Budget of the United Nations. The proposed redeployment of staff resources from UNCTAD's Office of the Special Coordinator for LDCs, LLDCs and SIDS amounts to seven professional posts and three general staff posts.

The General Assembly, in paragraph 1 of resolution A/C.2/56/L.78 has decided to establish the *Office of High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States* as recommended by the U.N. Secretary-General. In paragraph 5 of this resolution the General Assembly also "calls upon the Secretary-General to enhance the operational capacity of UNCTAD as well as that of other organisations and bodies of the UN system in their activities aimed at supporting recipient countries, especially developing countries and in particular least developed countries, landlocked developing countries and small island developing states". Implementing these two apparently contradictory provisions of the resolution as a single undertaking could be daunting, particularly in light of the proposed relocation of staff from these organizations.

The Advisory Committee on Administrative and Budgetary Questions (ACABQ) of the General Assembly in paragraphs 8 and 10, of its report (contained in document A/56/716) raised relevant questions on this particular point i.e. as to " how the operational capacity of the organisations and bodies of the system, in particular of UNCTAD, will be enhanced in their activities in supporting developing countries, in particular the least developed countries, landlocked countries and small island developing states". The other point of interest that the ACABQ has raised relates to the programmatic implication effect of the establishment of the OHR on sections 10 or 11A of the proposed Programme Budget for the biennium 2002 to 2003. The Committee in



paragraph 9 of its report recommended that “the Fifth Committee” take note of the proposal to provide up to 12 professional posts for the OHR, but that it defer a decision on the permanent establishment of these posts under the new section 9A until submission of a report by the Secretary-General on the programmatic implications and impact on the activities of the affected budget, namely, 10 and 11A.

The Working Party of the Trade and Development Board of UNCTAD after reviewing the programmatic implications of the proposed establishment of the OHR on the activities of UNCTAD in least developed countries, landlocked developing countries and small island developing states, has communicated the outcome of its resumed 38th session to the relevant bodies of the General Assembly of the United Nations.

#### ***IV. IMPLEMENTATION-RELATED ACTIVITIES OF UNCTAD SINCE BRUSSELS***

In contributing towards the implementation of the Brussels PoA, UNCTAD has undertaken important implementation-related activities. These relate to the main function of UNCTAD, i.e. research and policy analysis, advocacy and consensus building as well as technical cooperation and capacity building in areas linked to trade and development.

In addition, the secretariat is finalizing the exercise of charting a comprehensive implementation strategy - a “roadmap”- for guiding the future implementation of the commitments and actions agreed at the Brussels Conference. The primary objective of the roadmap is to provide a general guideline to enable UNCTAD and other stakeholders to identify practical ways to implement the commitments and actions contained in the PoA falling within their respective mandates and competence. It also identifies clearly sequenced priorities and strategies for action at national, regional and global levels, while providing opportunity to mainstream the PoA in the work programme of UNCTAD and other agencies and in the work of their respective intergovernmental machinery, as foreseen in paragraph 113 of the PoA.

#### ***V. CONCLUSION***

The Brussels PoA cuts across many sectors and complex political, economic, social and environmental issues. As such, the challenges in implementing the commitments contained in the PoA in these areas are enormous and daunting. The first task ahead is to restore confidence in and revitalize the partnership between the LDCs and their development partners so that the constraints and problems of the implementation of the previous two LDC programmes of action will not be repeated, and that the commitments and actions agreed at Brussels are respected and fully implemented. The second challenge is to mobilize all stakeholders and actors in development, both at national and international levels, to fully and effectively implement the decisions of the Conference that fall within their respective mandates and competence.

Finally, it is important to ensure the full coordination and cooperation between and among the LDCs and their development partners. At the national level, this means that each LDC is to translate commitments in the PoA into operational programmes and measures within the framework of its respective development policies and strategies; and that it mobilizes all actors including civil society representatives in the national development process and creates conditions for their effective participation. At the international level, this also calls for strengthened and coordinated efforts on

the part of bilateral donors, organs and organizations of the U.N. system for the full and effective implementation of the various commitments contained in the PoA. It is also important for civil

society partners to brace themselves to meet this challenge by appropriate adjustments to the changing national and international circumstances.

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# **EXISTING PROPOSALS ON BILATERAL AND MULTILATERAL INVESTMENT AGREEMENTS AND PRACTICES TOWARDS CODES OF CONDUCT ON TNCs AND GOVERNMENTS WITH RESPECT TO FDI**

*by*  
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## ***I. FOREIGN DIRECT INVESTMENT AND INTERNATIONAL INVESTMENT AGREEMENTS***

Today, foreign direct investment (FDI) is widely recognized as a major potential contributor to growth and development. It can bring not only capital to the host country, but also technology, management know-how and access to new markets. In comparison with other forms of capital flows it is also more stable, with a longer-term commitment to the host economy. It is not surprising therefore that virtually all countries are today pursuing investment-friendly policies and actively seek to attract FDI.

This has led to a remarkable increase in FDI inflows to developing countries, which now account for roughly 24 per cent of world inflows and 30 per cent of global inward stock. This investment, however, is concentrated in roughly 10 developing countries, mostly in the newly industrializing countries in Asia and Latin America.<sup>12</sup> This means that 90 per cent of the developing world, and especially all least developed countries, do not fully participate in the FDI boom, the most forceful of elements that characterizes the process of globalization. Although a word of caution should be added here in terms of the relative importance of FDI - as indeed one dollar invested in Senegal may mean more to this country's economy as the same dollar invested in Louisville, Kentucky - this picture of marginalization is of great concern to the global community.

To address this concern, most developing countries are not only establishing national legal frameworks aimed at reducing obstacles to FDI, they are also actively participating in international investment agreements (IIAs) at the bilateral, regional, interregional and multilateral levels. They do so in the belief that, on balance, such engagement will help to increase their countries' attractiveness to foreign investors through the legal stability, predictability and transparency that such treaties entail. However, like all international instruments, such agreements typically contain obligations that, by their very nature, reduce to some extent the autonomy of the participating countries and limit the policy options available to developing-country governments in the pursuit of their national development objectives through FDI. The basic challenge in discussing and/or negotiating IIAs is that of achieving a balance between the need to create a stable, predictable and transparent FDI policy framework in which firms can advance their corporate objectives on the one hand, and the need to retain the national policy space that is needed to pursue national development objectives on the other hand.

At the same time, IIAs need to take into account the important differences in the characteristics of all parties involved, most importantly, the economic asymmetries and different levels of

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<sup>12</sup> See UNCTAD (2001). *World Investment Report 2001: Promoting Linkages* (Sales No. E.01.II.D.12).

development between developing and developed countries. If international agreements in this area do not allow developing countries to pursue their fundamental objective of advancing their development and indeed make a positive contribution to this objective, they run the risk of being of little or no interest to them. This underlines the importance of designing agreements, and indeed the obligations they entail, in such manner that allows all parties a certain degree of flexibility in pursuing development objectives. The most difficult challenge that arises in the discussion and/or negotiation of international investment agreements therefore is to find the proper balance between obligations and flexibility; a balance that leaves sufficient space for development-oriented national policies.

## **II. THE ROLE OF UNCTAD**

Many developing countries have requested UNCTAD's assistance in strengthening their FDI policy-making capacity at the national and international levels so that they can take full advantage of the emerging regional and global investment opportunities, as well as learning from the rich global diversity of sustainable investment policy experiences and best practices. UNCTAD, as a development organization, has a special responsibility to assist developing countries in these processes. The objective of UNCTAD's work programme on IIAs, which was launched after the Midrand Conference in South Africa in 1996 and endorsed in the Bangkok Plan of Action of UNCTAD X in February 2000, is to deepen insights into key issues and concepts involved and to ensure that the development dimension is understood and adequately addressed.

UNCTAD is not in itself a negotiating forum for international investment issues, however, nor does it take a stance on the value of IIAs and their negotiation and discussion. Rather, it is for governments themselves to decide whether or not they wish to negotiate on any of these matters, and, if so, where and when. UNCTAD can facilitate this decision-making process: its ultimate objective is to ensure the effective participation of developing countries in negotiations and discussions.

UNCTAD's work in this area is therefore aimed at enabling developing countries to participate as effectively as possible in discussions on and/or negotiations of IIAs, and at ensuring that the development dimension is adequately addressed. Main activities are centred upon training and capacity- and consensus-building seminars and workshops that are based on UNCTAD's *Issues in International Investment Agreements* series (see box 1). Looking at the core elements of IIAs -- such as national treatment, MFN, etc., from a development perspective, this series has established itself as a standard working tool for negotiators from developed and developing countries alike. Other main activities in this area include facilitation services for the negotiation of bilateral investment treaties and double taxation treaties involving developing countries, and advice to regional organizations with regard to the formulation and/or modernization of existing investment regimes.

Another important pillar of this work programme consists of capacity-building through engagement in civil society and private-public-sector dialogue events. It is implemented through a series of seminars and workshops conducted with and for non-governmental organizations (NGOs). The objective of these seminars/workshops is twofold: first, they aim at familiarizing representatives of civil society with current issues related to IIAs and to the working of intergovernmental machineries dealing with this issue. Second, they are meant to provide a forum for an exchange of views between civil society and policy makers in this area. In both ways, such seminars/workshops contribute to a wider consensus-building. In the past, several NGOs have already participated in such activities, through their involvement in regional symposia, seminars for

Geneva delegates and a series of public-private sector dialogue events. They have included, among others, CUTS, the International Confederation of Free Trade Unions, OXFAM, SOMO, the Third World Network, and the World Wildlife Fund International.

**Box 1: IIA Issues Papers published as of January 2002 <sup>a)</sup>**

*Admission and Establishment* (Sales No. E.99.II.D.10.)  
*Employment* (Sales No. E.00.II.D.15.)  
*Environment* (Sales No. E.01.II.D.3.)  
*Fair and Equitable Treatment* (Sales No. E.99.II.D.15.)  
*Foreign Direct Investment and Development* (Sales No. E.98.II.D.15.)  
*Home Country Measures* (Sales No. E.01.II.D.19.)  
*Host Country Operational Measures* (Sales No. E.01.II.D.18.)  
*Illicit Payments* (Sales No. E.01.II.D.20)  
*International Investment Agreements: Flexibility for Development*  
 (Sales No. E.00.II.D.6.)  
*Investment-Related Trade Measures* (Sales No. E.99.II.D.12.)  
*Lessons from the MAI* (Sales No. E.99.II.D.26.)  
*Most-Favoured-Nation Treatment* . (Sales No. E.99.II.D.11.)  
*National Treatment* (Sales No. E.99.II.D.16.)  
*Scope and Definition* (Sales No. E.99.II.D.9.)  
*Social Responsibility* (Sales No. E.01.II.D.4.)  
*Taking of Property* (Sales No. E.00.II.D.4.)  
*Taxation* (Sales No. E.00.II.D.5.)  
*Technology Transfer* (Sales No. E.01.II.D.33.)  
*Transfer of Funds* (Sales No. E.00.II.D.27.)  
*Transfer Pricing* (Sales No. E.99.II.D.8.)  
*Trends in International Investment Agreements: An Overview*  
 (Sales No. E.99.II.D.23.)

<sup>a)</sup> United Nations Sales publication numbers are provided in parenthesis.

### ***III. CIVIL SOCIETY AND INTERNATIONAL INVESTMENT AGREEMENTS***

The involvement of civil society in UNCTAD's work reflects, of course, the growing importance it plays in international economic rule-making. This evolving importance is well exemplified in the failure of the OECD Multilateral Agreement on Investment (MAI) in the late 1990s.

Whereas it is widely accepted that one reason for the failure of the MAI was a change in the political climate during the course of the negotiations and the emergence of a backlash against globalization, it is also acknowledged that the stance of NGOs not only played a role in bringing about this change in the political climate, but also directly contributed to the abandoning of the OECD's efforts in this regard.

For one, the new centre/left Governments in a number of influential OECD countries also brought in new political priorities, while the Asian crisis and its aftermath called for caution

regarding capital mobility. In other words, in 1995, when the negotiations began, it was generally believed among negotiators that the MAI exercise was primarily a task of assembling the technical elements from various existing IIAs into a rational whole, that would have systemic benefits which would appeal to the political constituencies of the countries involved. As the negotiations progressed, however, the technical exercise had become a political one.

For the other, negotiators of the MAI underestimated the intensity of the public debate that the MAI would provoke in some countries, although consultations with capitals and stakeholders had taken place during the preparatory process. Indeed the influence of NGOs also brought about unexpected developments at a relatively late stage of the negotiations. This was particularly so with respect to the issues of indirect expropriation and investor-to-State dispute settlement, issues that initially had been perceived to be relatively easy to deal with, as they had already been included in numerous IIAs involving OECD member countries. This was in part a reaction to what was perceived by NGOs as lack of appropriate consultations with key stakeholders in the framework of a process they considered to be closed and opaque. But NGOs argued that their fears were just as much the result of real concern over the underlying philosophy and approach of the MAI, its structure and objectives, as well as a number of substantive issues; its failure to deal with competition, corruption and investor behaviour; the increase in investor rights as regards the definition of investment; pre-establishment protection; and performance requirements and expropriation. In sum, the failure of the MAI to address adequately the development dimension, while at the same time intended to be open to accession by developing countries.

Since the late 1990s, civil society - as spearheaded by a number of NGOs - has become a force to deal with in international investment rule-making in particular and international economic rule-making in general. Indeed, no international gathering dealing with the problems of the world economy has lacked involvement of civil society stakeholders. As far as investment is concerned, some of these groups are sceptical about the benefits of FDI. The questions raised in this regard centre upon the issues of whether greater international investment can bring substantial benefits to developing countries, particularly in terms of the transfer of resources (financial, technical and human), and whether international rule-making in this area, and particularly a comprehensive regulatory framework, can indeed promote sustainable development. More specifically, FDI and its regulatory (national, bilateral, regional and multilateral) frameworks are scrutinized in terms of their contribution to strengthening the links to the national economy, the direct costs of attracting FDI, competition with local firms, community development, levels of reinvestment, technology transfer, environmental quality and natural resource use, and cultural issues, to name some of the key factors brought under review.

#### ***IV. EFFECTIVE PARTICIPATION OF STAKEHOLDERS IN IIA DISCUSSIONS***

In view of the significance of these issues, any discussions on IIAs are obviously important to all governments and to civil society as a whole. At the same time, there is a need for full and effective participation of all groups within civil society, in order to hear their views and benefit from their experiences. Specifically, NGOs have developed positions and views concerning IIAs that need to be brought into the process of international investment-rulemaking. However, to be able to participate effectively in this debate, there is also a need for educated insight in the economics and politics of FDI. What determines FDI flows? How do global TNC structures impact on local affiliate behaviour? How can countries increase the development benefits that FDI entails? The need for better insight goes beyond these general issues, however, and extends to the need to understand local FDI experiences and problems, including those in a historic context.

Such general and specific insight provides tools to enable civil society organizations to participate effectively in the called-for public dialogue on these matters and to raise issues from their perspective on discussions on and/or negotiations of FDI agreements. This important role of NGOs has also been recognized in the Doha Ministerial Declaration of the WTO (paragraph 10). Contributions and discussions based on profound knowledge of the matter at hand will provide an insight in the different ways in which investment agreements are being discussed and decided on: macroeconomic analysis, investment policies and the global context, the technical level of articles of an investment agreement, the room for manoeuvre in improvement and changes from a development perspective, and by looking at the advantages and disadvantages of foreign investment and its impact on people and the environment. By discussing with representatives of NGOs the economics and politics of FDI, a better and more result-oriented involvement of civil society in the FDI-policy decision-making process may emerge, in the interest of increasing the development benefits that host developing countries can derive from the FDI that they receive. At the same time, such engagement of civil society provides the opportunity to discuss the kind of political and civil society activities that promote changes in investment policies and agreements, and to create links and cooperation among civil society representatives.

In light of the recent agreement by members of the WTO, in their Declaration of the Fourth Session of the WTO Ministerial Conference in Doha, to launch a work programme on investment (paragraphs 20-22), the involvement of civil society may take on a new dimension. It is noteworthy in this context, that WTO members called on UNCTAD to work with the WTO and other relevant intergovernmental organizations to cooperate in the provision of strengthened and adequately resourced technical assistance in the pursuance of the mandate provided by Doha.

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## **AN UNCTAD OVERVIEW OF THE WTO/DOHA WORK PROGRAMME**

by

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### **I. INTRODUCTION**

#### *A. The developing countries and market access*

Access to foreign markets for the exports of commodities and products of the developing countries lies at the core of the idea of “trade not aid”, and since their participation in the GATT, this issue has been *at the top of the trade agenda of all developing countries*.

The evolving development strategies of these countries have all been directed to the goal of increasing exports. Before the 1980s, the expansion of exports of goods was their only concern and therefore was the main purpose of international trade negotiations, whose objective was to improve market access for goods, by reducing or eliminating the barriers imposed at the borders through tariffs and related measures. Today, the exports of services are at least as important as the exports of goods – in fact, for many developing countries, services constitute the pillar of their potential development and therefore, of their trade policies. Market access is also the basic issue for furthering expansion of trade in services.

During the Uruguay Round (1986-1994) of multilateral trade negotiations, for the first time services were included in the negotiations on market access. This new area of negotiations at the GATT (and later at the WTO) introduced deep changes in the nature of the trade strategies of all the countries. In services, the concept of market access is not confined to barriers at the border such as tariffs, since the trade in services concerns domestic measures, economic regimes and legal frameworks that have little in common with the issues raised by tariffs. The increasing expansion of the GATT and the WTO agenda –from tariffs to domestic rules – reflects this *new content of the market access concept*. Other issues introduced in the trade negotiations during the Uruguay Round, such as intellectual property rights, also enlarged the scope of the multilateral trade rules.

In spite of these evolving features and confines of the notion of market access, its relevance for development has not changed. Nowadays, market access is particularly relevant because of the economic context dominated by a widening globalization of all markets, where development is not conceivable without an effective integration into the trading system nor without open markets. As was the case when development theories were primarily being elaborated, the main source of financing for development is trade – and with it, obviously, the access to markets.



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### *B. The “unfinished business” of the Uruguay Round*

The Uruguay Round achieved a degree of market openness unknown in the history of international trade since the beginning of the 20th century. Industrial tariffs were significantly lowered in both developed and developing countries, but the main achievement was the elimination of market access barriers such as tariff quotas and other discretionary measures that were used as protectionist devices.

However, the Uruguay Round concluded with a large “unfinished agenda”. From the point of view of many industrialized countries, the unfinished business concerns a number of issues such as investment regimes, competition rules, environmental measures, government procurement. *For the majority of the developing countries, however, the pending issues concentrate on the “traditional” market access issues, i.e. barriers at the border insofar as goods are concerned, and measures that impede the export of their services.* This is particularly true for the developing countries’ exports of agricultural products and textiles and clothing, as well as of several manufactured goods that face tariff peaks and escalations. Other barriers concern the market access for trade in services, particularly those that represent a large export potential for the developing countries such as construction services and health services.

Therefore, many expectations of new market access opportunities that were raised by the Uruguay Round and the establishment of the WTO were not satisfied. The Seattle WTO Conference failed to launch trade negotiations. The recent WTO Fourth Ministerial Conference held at Doha in November 2001 adopted an ambitious Work Programme of negotiations where market access reappears as a priority issue. Aspirations are that the expectations of developing countries regarding improved market access will be met at the end of these new negotiations, by January 2005.

This Dialogue presents an opportunity to examine many outstanding market access issues that affect the developing countries’ trade potentialities, and to explore the concrete links that could be established between the trade agenda as it is being considered at the WTO and the future work on financing for development.

## **II. THE NEGOTIATING MANDATES ON MARKET ACCESS INCLUDED IN THE DOHA WORK PROGRAMME**

### *A. Agricultural trade*

The “built-in agenda” contained in the Uruguay Round Agreement on Agriculture already provides for continuing the process of liberalization of agricultural trade, and the Doha Work Programme specifies three specific goals of the negotiations:

- (a) Substantial improvements in market access.
- (b) Reductions of (with a view to phasing out) all forms of export subsidies.
- (c) Substantial reductions in trade-distorting domestic support.

Special and differential treatment provisions are also to be established by March 2003, and the Doha Ministerial Declaration provides that such special and differential treatment shall be an integral part of all elements of the negotiations. Development needs such as food security and rural development are explicitly mentioned in this context.

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This area of the forthcoming negotiations is crucial for all the developing countries. But their positions greatly differ, depending on whether they are exporting countries or net importing countries of agricultural products. In general they reflect a large consensus on the need to eliminate the export subsidies and domestic support that developed countries are able to afford with their enormous financial means in supporting their respective agricultural sectors. This is the area where there are more distortions of fair and free trade, because the developing countries and the LDCs – whose populations rely heavily on agriculture – cannot afford to finance similar support measures. The distortions introduced by the large agriculture budgets deployed by developed countries impede a fair market access for the exports of developing countries. Distortions are also introduced in the domestic markets of importing developing countries, where the subsidized agriculture products of developed economies impair the local production. OECD data indicate that the amount devoted by OECD countries to finance their agriculture sectors is currently of the order of US\$ 365 billions per year – i.e. one billion dollars a day, or six times the total amount of development aid received by the developing countries.

### *B. Trade in services*

As in agriculture, the “built-in agenda” provides for further liberalization in all the services sectors and modes of supply, in order to improve the market access. Here, again, special and differential treatment is embedded in the negotiating mandate, by providing that negotiations should be conducted with a view to promoting the economic growth of all trading partners and the development of developing countries and LDCs. It is worth noting that developing countries are becoming more and more active in the negotiations related to services since the Uruguay Round. They have a clear understanding of the access problems that their offers of services are facing in both developed and developing markets.

### *C. Market access for non-agricultural products*

The Doha Work Programme provides for negotiations aiming at reducing or eliminating tariffs in industrial products, including tariff peaks, high tariffs, tariff escalation, and remaining non-tariff barriers. The preferential regimes providing easier market access for the export of goods of developing countries and particularly LDCs may be “eroded” by these negotiations on tariffs, but there is now an opportunity to eliminate the specific tariff barriers that hamper some of the most competitive exports of developing countries. The Doha Declaration urges WTO Members to take into account the special needs of developing countries and LDCs, including through less than full reciprocity in tariff reduction commitments.

### *D. Rules on anti-dumping and countervailing measures*

At Doha it was agreed to begin negotiations aimed at clarifying and improving disciplines concerning anti-dumping and countervailing measures that, in many cases, affect the access of competitive developing countries’ products to developed markets. The rules on fisheries subsidies are included in this mandate, providing an opportunity to many exporters of developing countries to improve their access to the highly protected fish markets. The review of the WTO rules on regional trade agreements has also been included in the Work Programme.

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### *E. Trade and environment*

One of the mandates on *trade and environment* adopted at Doha provides for the reduction or the elimination of tariff and non-tariff barriers to environmental goods and services, as well as calling for the continuation of the WTO work on the identification of other market access issues related to trade and environment, such as labelling.

### *F. Electronic commerce*

The very new issue of “market access” in *electronic commerce*, which is attracting the increasing interest of the developing countries, was also considered at Doha. It was agreed to maintain the current practice regarding such commerce and not to impose custom duties until 2003.

## **III. IMPLEMENTATION ISSUES**

Finally, the Doha Conference adopted a Ministerial Decision on the “*implementation issues*” (i.e. the problems raised by the implementation of the Uruguay Round agreements), that also encompass several market access aspects that need an urgent solution with regard to developing countries’ exports. For example, issues derived by the implementation of the agreements on sanitary and phytosanitary rules and technical barriers to trade are included in this review exercise. The implementation of the Agreement on Textiles and Clothing (particularly regarding quotas) is also included here, as well as the review of the existing agreement on the rules of origin. It is important to note that the negotiations on the implementation issues are part of the “single undertaking” of the Doha Work Programme, meaning that the solution of the pending implementation issues has the same negotiating value as other components of the Doha agenda. For many developing countries, the list of unsolved implementation problems represent core market access issues. Since the timetable of the mandates on the implementation issues is concentrated in the short term (2002 and the beginning of 2003), the coming few months may be a determinant for the expectations of the developing countries – and for the ultimate success of the post-Doha negotiations.

## **IV. OTHER COMPONENTS OF THE DOHA WORK PROGRAMME**

The Doha Work Programme contains other areas that are not directly related to market access, but do provide the opportunity to improve the multilateral trade rules on complementary areas. The topics of *trade and investment*, and *trade and competition*, are included in the Work Programme, but a decision to initiate negotiations will be considered at the Fifth WTO Ministerial Conference in 2003, together with the issues of *transparency in government procurement and trade facilitation*. All these four sensitive issues – and the possible negotiation of multilateral rules – have implications for market access in goods and services. Developing countries need to set their objectives in these “new” areas. It would be advantageous for developing countries to make proposals in each one of these topics in order to ensure the best market access conditions for their exports, and to achieve the adoption of provisions that effectively take into account their development needs.

The topics of *trade, debt and finance*, and *transfer of technology*, were introduced by the Doha Conference in the work of the WTO through two new working groups, therefore enlarging the scope of this institution. As for the issues of investment and competition, these topics are not usually seen as relevant for market access in the traditional sense of the concept. However, it is

obvious that they are vital for all the developing countries: access to modern technology is the only way to improve the competitiveness of exports and therefore to penetrate markets. The issue of trade, debt and finance is probably the most relevant of the Doha mandates from the point of view of financing for development, and the new WTO working group will certainly take into account the outcome of the forthcoming Monterrey Conference.

The Doha Work Programme therefore contains many market access issues, and several provisions regarding special and differential treatment for LDCs and developing countries, as well as the mandate to elaborate a work programme for the small economies. To take full advantage of the opportunities effectively to improve market access for their goods and services, developing countries will need a significant negotiating capacity, taking into account that the overall Doha agenda is very wide, has tight schedules and complex interrelated topics. It is not an exaggeration to say that *the Doha Work Programme is more ambitious than the Uruguay Round, and may lead to new deep changes in the international trading system.*

## **V. UNCTAD SUPPORT TO THE DEVELOPING COUNTRIES IN THEIR MARKET ACCESS NEGOTIATIONS**

*What can UNCTAD do to support the effective participation of the developing countries and economies in transition in the negotiations agreed at Doha on market access?*

*During the Uruguay Round, the UNCTAD secretariat provided technical assistance to developing countries and countries with economies in transition, by including innovative programmes such as the “CAPAS” (Coordinated Assistance Programme for Africa in Services), that supported the first national studies on services in the African countries, in coordination with bilateral donors and the World Bank.*

*Following the Uruguay Round, and particularly during the preparatory process of the Seattle WTO Conference in 1998-99, UNCTAD’s assistance was focused on the “positive agenda” approach, i.e. aiming at helping developing countries in the identification of their own national interests and negotiating objectives, in order to support their capacity to formulate their own proposals instead of passively reacting to the developed countries’ initiatives. Other technical assistance programmes, such as Commercial Diplomacy training, enhanced the scope of the analytical work done in the framework of the positive agenda by providing training and capacity building to the developing countries’ trade negotiators, to some extent in Geneva but mainly in the field.*

In view of the increasing challenges now arising from the Doha Work Programme, and the increasing demand for support coming from almost all of the developing countries, the LDCs and many countries with economies in transition, *the UNCTAD “post-Doha” assistance will continue the work done on the basis of the “positive agenda” approach, taking into account new and old mandates given to UNCTAD by Member States, as well as their specific demands made in recent consultations.*

## **VI. THE UNCTAD POST-DOHA STRATEGY**

This strategy will have the following main features:

- (a) To provide technical tools to the developing countries so that they *identify their interests and their goals, formulate their own proposals and enhance their negotiating capacity*. The work done in the different aspects of the special and differential treatment provisions included at Doha is particularly important in this sense, as well as the identification and analysis of the links between the different topics of the Doha agenda. The UNCTAD support is oriented towards *devising solutions and options for the practical problems* faced by the developing countries to benefit fully from the trade liberalization: the contacts with the local trade authorities and entrepreneurs are the key to this process of formulation of national strategies, since UNCTAD's assistance, insofar as possible, is *demand-driven* and "tailor-made".
- (b) To support the *articulation of parallel regional and subregional trade negotiations*, so as to ensure coherence and compatibility with the development strategies and with the multilateral disciplines. The UNCTAD mandate to support regional integration among developing countries allows for several technical assistance activities where the compatibility with the ongoing WTO negotiations is one of the key elements. For instance, the 77 ACP countries are requesting UNCTAD's assistance not only on the WTO issues, but also in their negotiations with the European Union for the post-Cotonou agreements that involve trade in goods and services, and that have to be concluded by 2007 –i.e., two years after the completion of the Doha Work Programme.
- (c) To continue the assistance given, on a country by country basis, to *the WTO acceding countries*, to ensure that the terms of their accession do not exceed the existing WTO rules, and to ensure that all their special and differential treatment rights are respected. The developing countries and countries with economies in transition that will accede to the WTO will also need assistance to be immediately involved in the ongoing post-Doha negotiations.

Virtually all the UNCTAD activities in the area of trade policies and trade negotiations are designed and implemented in *cooperation with other agencies*: in the first place, the WTO secretariat is our main partner, together with the International Trade Centre (ITC), on the basis of a division of labour where each agency has its own mandate and approaches. Several other programmes involve the cooperation of other U.N. agencies, particularly the World Bank, and the U.N. regional commissions. The Integrated Framework for the LDCs is one of these joint programmes.

Finally, it is the need and wish of the UNCTAD secretariat to cooperate more closely with the NGOs and other civil society organizations in its capacity-building activities in favour of developing countries. Some of these organizations are already specializing in important, specific areas related to trade and development, and have access to more resources than UNCTAD can devote to work on such specific topics.

## **VII. THE DOHA WORK PROGRAMME AS A "DEVELOPMENT ROUND"**

It is certainly true that the Work Programme agreed upon at Doha provides *the opportunity* to improve significantly the market access conditions of developing countries' exports. However, the development impact of the new negotiations will need to be assessed, at the conclusion of the process in 2005, against two main criteria: first, the realization of the new opportunities provided to

increase the share of developing countries in international trade; second, the extent to which developing countries attain their objectives and meet their expectations, that are – as already emphasized in this paper - mainly related to market access problems.

### **VIII. CONCLUSION**

There is no doubt that development is too large a concept to be confined only to trade issues. *The role of the forthcoming WTO negotiations is certainly crucial, but should not be seen in isolation.* A round of multilateral negotiations centred on development should look beyond the trade agenda – particularly beyond the market access issues – to encompass financing instruments. It must be understood that securing free access to markets does not solve the problems related to the supply capacity and the competitiveness of developing countries. These considerations therefore serve to emphasize that links should be established between the Doha Work Programme and the Monterrey process.

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# INSTITUTIONAL FRAMEWORK FOR CIVIL SOCIETY COOPERATION WITH UNCTAD AND SUGGESTIONS FOR ITS FURTHER EVOLUTION

by  
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## I. INTRODUCTION

*“Looking ahead, I see a world of opportunities for stronger ties between us. I see a United Nations keenly aware that if the global agenda is to be properly addressed, a partnership with civil society is not an option; it is a necessity. I see a United Nations which recognizes that the NGO revolution — the new global people-power — is the best thing that has happened to our organization in a long time.”<sup>13</sup>*

The role of civil society organizations has grown worldwide during the last few years to express the interests and aspirations of people united by common needs and interests. Since the Earth Summit in 1992, civil society has made its mark on the various United Nations international conferences on vital issues such as the environment, human rights, population, trade and development, poverty and the advancement of women. Civil society actors have expressed their concerns and made their power felt. Examples include: lobbying successfully for the Ottawa Convention banning the use of land mines; campaigning for the Statute of the International Criminal Court to ensure that justice will be done; persuading governments to provide substantial debt relief to the poorest countries; and to redirect the consequent savings to poverty reduction programmes. Obviously, there is much to be done to improve the socio-economic status of the world through forging constructive alliances and strategic partnerships with civil society.

## II. UNCTAD AND CIVIL SOCIETY

Within the United Nations system, UNCTAD in particular, has recognized that in modern development management, civil society is playing an increasingly important role in support of the objectives of sustainable human development, poverty alleviation and economic and social development. “UNCTAD believes that the successful integration of developing countries into the global economy depends on cooperation between the private and the public sectors, and seeks ways to include non-governmental organizations (NGO’s), academia, parliamentarians and business associations in its intergovernmental machinery.”<sup>14</sup> UNCTAD is one of the pioneers that has developed, since its inception, cooperation arrangements with civil society in development-oriented research and technical cooperation in areas affecting international trade. In that regard, the recent successive UNCTAD Conferences have called for further collaboration between UNCTAD and civil society. UNCTAD VIII called for closer cooperation and UNCTAD IX reaffirmed the

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<sup>13</sup> Secretary-General Kofi Annan (Speech made in Wellington, New Zealand, 29 February 2000).

<sup>14</sup> UNCTAD in brief (brochure).

importance of involving non-governmental actors in the activities of UNCTAD. Paragraph 118 of the Midrand Declaration requests the Secretary-General of UNCTAD to “pursue consultations with these actors”. UNCTAD X made an even further effort to encourage civil society participation and cooperation. “NGOs made a landmark contribution at UNCTAD X in Bangkok in 2000, and set an irreversible trend for the increased participation of civil society in the international organizations’ deliberation process.”<sup>15</sup>

The UNCTAD X Bangkok Declaration states that “UNCTAD’s work can serve to address the challenges and opportunities of globalization and inform an open and systematic debate on diverse development-related issues of global interest among partners in the development process, including the private sector, NGOs, academia and parliamentarians. It should pursue this dialogue to help shape international economic relations in the twenty-first century.”

### *III. UNCTAD’s COOPERATION WITH NGOS*

UNCTAD has pursued a policy which allows cooperation with civil society actors by setting up formal and informal mechanisms for the participation of NGOs in the activities of UNCTAD, including participation in conferences, workshops and seminars, producing co-publications, information-sharing and policy analysis through informal exchange of ideas and implementation of technical cooperation programmes.

Arrangements for the participation of NGOs concerned with trade and trade as related to development in the activities of UNCTAD, are governed by Rule 77 of the Rules of Procedure of the Trade and Development Board (TDB) (rule 81 of the Conference) and of its decision 43 (VII).

The TDB establishes relationship arrangements with NGOs for the purpose of enabling UNCTAD, the TDB and its subsidiary bodies to secure information or advice from organizations having special competence on subjects for which relationship arrangements are made, and to enable organizations representing important elements of public opinion to express their views. The TDB distinguishes between NGOs which exercise functions and have a basic interest in most of the activities of the TDB which are placed in the general category, and those which have a special competence in and are concerned with specific activities, which are placed in the special category.

NGOs in status receive regular notifications of and documentation for conferences and meetings convened by UNCTAD. Their representatives are entitled to participate as observers, in the public meetings of the intergovernmental bodies (without the right to vote). Such representatives may make oral statements on matters falling within the scope of their activities and may circulate written statements on matters related to agenda items of these meetings.

National NGOs of recognized standing, which are deemed to have a significant contribution to make to the work of UNCTAD, may be entered by the Secretary-General of UNCTAD in a Register established for this purpose after prior consultations with appropriate representatives of the respective Member States concerned. National NGOs receive UNCTAD’s documentation.

There are currently 187 NGOs in registered status with UNCTAD, of which 104 are in the general category and 83 in the special category. There are 13 national NGOs in the Register. Encouraged by the Bangkok experience and convinced of the need to further strengthen positive interaction between international organizations and civil society groups, Mr. Rubens Ricupero, Secretary-General of UNCTAD, decided to establish the Civil Society Outreach (CSO) of

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<sup>15</sup> Ibid.



UNCTAD. The CSO team is responsible for developing and implementing policies for public outreach and to develop further cooperation with NGOs, academia, parliamentarians, trade unions and development-oriented religious groups. To this end, and in addition to planning and implementing outreach activities, the CSO has established a database of NGOs in observer status with UNCTAD. Also, the CSO recently communicated with (in order to better reach out to civil society and to facilitate further exchanges of views and dialogue with its actors) all those NGOs on its database to request them to update all relevant information. So far, about 90 organizations have replied positively and completed the information questionnaire.

#### ***IV. SUGGESTIONS ON POSSIBLE FUTURE ARRANGEMENTS FOR FURTHER INVOLVING CIVIL SOCIETY IN UNCTAD ACTIVITIES***

At its forty-third session held in October 1996, the TDB took note of the United Nations Economic and Social Council (ECOSOC) resolution 1996/31, adopted in July 1996 and entitled "Consultative relationship between the United Nations and non-governmental organizations", which updates the existing arrangements on consultative relations with non-governmental organizations (allowing national, regional and subregional NGOs to apply for consultative status). The Board decided that, in view of this resolution, the UNCTAD secretariat should review its own arrangements for the participation of NGO's in the activities of UNCTAD and requested the secretariat to report thereon to the Board at an executive session in 1997. Consequently, at its fifteenth executive session convened on 27 June 1997 the Board "took note that...the UNCTAD secretariat had prepared a revision of the arrangements for the participation of non-governmental organizations in the activities of UNCTAD", as contained in document TD/B/EX (15)/3 and Corr.1. The Board decided to postpone its decision on this question until its nineteenth executive session. Now that the revised ECOSOC decision is being implemented, Member States may wish to consider approving a revision of the UNCTAD decision governing its relations with NGOs.

The interest of civil society organizations in participation in UNCTAD Conferences, sessions of the Commissions and Expert Meetings has been growing. Further arrangements may be considered and adopted by Member States to respond to the growing need of civil society actors to be further involved in the work of UNCTAD, and to take part in the proceedings and deliberations in order to be able to respond constructively to their constituencies' interests and needs.

In addition to the participation of international NGOs in status with UNCTAD, the following categories of NGOs, with recognized competencies and expertise in the subject matter of an Expert Meeting or a Commission session, could also participate as observers subject to the approval by Member States:

- (a) *National NGOs included in the Register* by the decision of the Secretary General of UNCTAD and after prior consultation with the respective governments and in conformity with decision 43 (VII) of the TDB, should be made easier since these NGOs have completed the application questionnaire and submitted, usually, all required documents (i.e. constitution/by-laws, annual reports/activities reports and financial statements of their organizations). They need however to express interest in participating in an Expert Meeting by notifying the secretariat and sending credentials of their representatives. All communications should be official (on the letterhead of the organization) and signed by the authorized official of the NGO.

- (b) *NGOs which were granted status by the NGO Committee of the ECOSOC*, that prove to be competent and may make constructive and significant contributions to the work of the Expert Meetings, should be allowed to participate as observers in such meetings after notifying the UNCTAD secretariat and sending the necessary information about their representatives to the meetings.
- (c) *Other relevant and competent NGOs and civil society organizations* having no status with UNCTAD should, if interested and deem that they could make substantive contributions to the Expert Meetings, send to the UNCTAD Secretariat their requests supported by the relevant information on their organizations. A list of such NGOs should be submitted for consideration either to the Bureau of the Commission under which the Expert Meeting is convened or to the Member States at the consultation with the President prior to the meeting. If there are no objections from Member States, the NGOs in question could then participate, as observers, in such meetings.

*PART I*

*B. United Nations System*

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## UNCTAD AND NGOs: AN EVOLVING COOPERATION

by

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### I. INTRODUCTION

NGOs have been present at the United Nations since its founding.<sup>17</sup> Article 71 of the Charter enables the Organization to consult with international and national non-governmental organizations (NGOs) in the pursuit of its objectives.<sup>18</sup> While NGOs have been present at many of the land-mark events organized by the U.N. since its creation,<sup>19</sup> over the past decade the U.N. system has witnessed a dramatic upsurge in the involvement of a diverse range of non-governmental and civil society organizations in its work.

The contribution of NGOs to the U.N. are multifaceted. In addition to being partners and sources of funding in, for example, operational development and emergency activities, or human rights and election monitoring, NGOs are often the source of unique experience, expertise and information and provide new insights and approaches to many of the issues on the U.N. agenda. Moreover, it is widely acknowledged that governments and intergovernmental organizations cannot, acting alone, successfully deal with the enormous challenges posed by poverty eradication, sustainable development and other global issues. In the years ahead the capacity of the United Nations to achieve its objectives and goals in these areas will depend crucially upon its ability to forge partnerships and deepen cooperation with the wide diversity of NGOs from around the world dedicated to the same goals and objectives as the Organization.

In addition to the substantive contributions made by non-state actors, their presence in the policy-setting processes and fora of the U.N., and their monitoring and advocacy activities contribute significantly to the democratization of international relations and international cooperation since it makes the work of the U.N. more transparent and accountable to a wider public than has been the case in the past. At the same time, the involvement of these organizations establishes new and stronger bonds between international deliberations and decision-making and national and regional realities, thereby giving substance to the practice of international democracy.

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<sup>16</sup> The author has written this paper in a personal capacity and on the basis of working closely with UNCTAD for nearly fifteen years on its cooperation and activities with NGOs.

<sup>17</sup> Several international NGO representatives participated in the San Francisco Conference in 1945.

<sup>18</sup> This article states: "The Economic and Social Council may make suitable arrangements for consultation with non-governmental organizations which are concerned with matters within its competence. Such arrangements may be made with international organizations and, where appropriate, with national organizations after consultation with the Member of the United Nations concerned." This may well be the first time that the phrase "non-governmental organization" has been used.

<sup>19</sup> These include, amongst many others, U.N. conferences on Crime Prevention (1955), Law of the Sea (1958), Human Rights (1968), Environment (1972), Population (1974), Food (1974) and also the Special Session of the General Assembly on Africa (1986).

## **II. AN OVERVIEW OF THE INCREASING ROLE OF NGO'S IN THE UNITED NATIONS CONFERENCES ON THE LEAST DEVELOPED COUNTRIES (1981 - 2001)**

### *A. The United Nations Conference on the Least Developed Countries (Paris 1981)*

Close to 200 NGO representatives participated in the first U.N. Conference on the Least-Developed Countries (U.N. LDC-I, Paris, 1-14 September 1981), supported and serviced by the UNCTAD secretariat.

In their contributions to the Conference, NGOs highlighted a broad range of issues which they saw as determinants for the development prospects of the, then, 31 LDCs. These included the need to increase the quantity and quality of overseas development assistance, to address the commodity-dependence of LDCs (through the Common Fund and Stabex), to tackle poverty through agrarian reform, to strengthen education and health provision and improve strategies to achieve food security. NGOs also emphasized partnerships, popular participation, local government initiatives, the vital development contribution of women and the need to protect the natural environments of the LDCs. NGOs criticized the "austerity programmes" of the IMF, military expenditures in the LDCs and what they saw as an implicit racism in relations between North and South. They also underlined the importance of mobilizing public opinion in the industrial countries in favour of development in the South and the LDCs. Trade unions at the Conference argued in favour of respect for universal labour rights, in particular freedom of association and collective bargaining.

Despite their efforts to have a reference to their positive contribution to the development of the LDCs included in the Substantial New Programme of Action (SNPA), the NGOs were disappointed to find that little of substance appeared in the final text. They agreed to re-establish an NGO Liaison Committee for follow-up activities in order to monitor implementation of the SNPA and to hold a North-South NGO conference at the time of UNCTAD IV in 1983, to take stock of the situation. At that time, and like many others, NGOs expected that the LDC issue would be taken up as part of the global negotiations for a New International Economic Order, that they expected to be endorsed at the forthcoming Cancun Summit meeting in October 1981.

### *B. The Second United Nations Conference*

Close to 100 NGO representatives attended the Second United Nations Conference on Least Developed Countries (U.N. LDC-II, Paris, 3-14 September 1991). Unlike the previous Conference, civil society was given an opportunity to participate in the participatory process as well<sup>20</sup>. Civil society was represented by an NGO Steering Committee which focused on producing a publication for the Conference that would articulate NGO perspectives and viewpoints on the main issues under discussion and negotiation. This document entitled "The Least Developed Countries in the 1990s: Development or Oblivion – NGO priorities and proposals for the programme of action", was published and made available to all delegates and participants at U.N. LDC-II, which called for a new kind of relationship between the donor countries and the LDCs and for a development process that puts people at its centre<sup>21</sup>.

<sup>20</sup> Several preparatory meetings were held, such as, the preparatory High Level Meeting of Experts on the role of NGOs in the development of the LDCs (Kathmandu, November 1989); the NGO Preparatory Meeting (Geneva, March 1990) establishing NGO Steering Committee to coordinate and oversee NGO preparations for the Conference; the event organized by the French NGO, SURVIE 90, which focused on principles and new forms of partnership between the peoples of the North and those of the LDCs.

<sup>21</sup> "In the 1980s, relations between industrialized countries and the LDCs were dominated by the manner in which the industrialized countries denied LDCs access to sufficient resources and yet sought to determine many aspects of the

It also suggested detailed textual amendments to the draft Programme of Action under the themes of Aid, Debt and Adjustment, Trade, Food Security, Agriculture and Agricultural Trade, Biotechnology and Intellectual Property Rights (IPRs), Human Rights and Participation, Environment, Women, Disarmament. It is notable also that compared to U.N. LDC-I, the NGO agenda for the Conference embodied a number of new concerns (adjustment and conditionality, biotechnology, IPRs and human rights). It also paid much greater attention, in the context of the GATT Uruguay Round, to trade issues.

### *C. The Third United Nations Conference on the LDC's and the NGO Forum (Brussels, 2001)*

Over one thousand (1,000) NGO delegates attended the Third Conference on the Least Developed Countries (U.N. LDC-III, Brussels, 14-20 May 2001) and the NGO Forum, held in parallel with the Conference. The latter was organized by the NGO Forum Secretariat with financial help from the European Union and had three main objectives: (a) to build a consensus among NGOs working in the development field, and to encourage and stimulate NGOs in the LDCs to participate effectively in this U.N. Conference, (b) to facilitate and support NGO advocacy and lobbying to influence a positive outcome of this Conference, (c) to raise public awareness about the event and among the international NGO community, government authorities and the international media.

The strategy adopted by the NGOs, working through an International Steering Committee, was to build on the NGO agenda that had been evolving since U.N. LDC-I and relate it to new, contemporary issues. This resulted in focusing on issues such as aid flows, international trade concerns, the mitigation of negative impacts of liberalization and globalization, reforming the roles and policies of the Bretton Woods institutions and the WTO and reviewing the present and future sources of development financing. In order to lobby effectively for positive Conference decisions on these and other matters, the NGOs established a number of issue-based caucuses. In addition, the Forum organized eight thematic workshops and seven civil society debates to further emphasize the views and proposals of NGOs on the central discussions conducted in the ongoing U.N. Conference, and also published a daily newspaper, 'Outreach', to express opinions and stimulate discussions.

The Forum concluded its activities by undertaking an assessment of the Programme of Action agreed upon at the end of the U.N. Conference, with special reference to the seven Commitments of the Programme, and also formulated a number of guidelines for NGOs in respect of the follow-up activities required to implement the proposed national programmes of action agreed upon by the U.N. Member States.

### **III. NGOs AND UNCTAD's QUADRENNIAL CONFERENCES**

NGO participation in UNCTAD's quadrennial conferences dates back to UNCTAD IV

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domestic policy of LDCs. NGOs believe that the industrialized countries' obsession with conditionality is misplaced. The prime responsibility of the North is to ensure that LDCs have sufficient aid, debt relief and trading opportunities to gain the resources needed for sustainable development. The second responsibility is to support the LDCs' own efforts to design and implement sustainable development strategies. Few of the positive aspirations of the draft Programme of Action will materialize unless this new relationship develops. The imposition of recessive macro-economic adjustment policies, the dogmatic insistence on, for example, currency devaluation, or the reduction of the public sector, irrespective of their appropriateness to particular countries' needs and circumstances, will undermine the prospects of a more sustainable development."

(Nairobi, 1976), and UNCTAD V (Manila, 1979), where a small, but well organized network of advocacy NGOs, lobbied OECD/European governments to accede to developing country demands for a New International Economic Order, particularly in the areas of aid and financial resources, and trade issues, including market access and commodity price stabilization. NGOs pursued this agenda at UNCTAD VI (Belgrade, 1983), but were severely limited in this work by the political impasse in North-South negotiations. At UNCTAD VII (Geneva, 1987), and UNCTAD VIII (Cartagena 1991), NGOs stoutly defended the value of UNCTAD's role as a forum for North-South dialogue for fear that some developed country member states were seeking drastically to reduce UNCTAD's mandate and possibly even to abandon or close down the organization.

UNCTAD IX (Midrand, 1996) welcomed many representatives of the new post-Apartheid NGO community of South Africa who brought fresh perspectives and aspirations to the international dialogue. For the first time, an NGO meeting was held in parallel to this UNCTAD Conference. It was attended by around 80 NGO representatives and was held in two segments. The first, primarily intended for development NGO participants from the African region, focused on capacity-building aspects on the substantive theme of the conference, namely globalization and liberalization and strategies to meet Africa's particular needs. The second segment was open to all NGOs attending the conference. It looked at the UNCTAD IX agenda more specifically in order to plan NGO contributions to the Conference, build advocacy strategies and consider follow-up work. Two declarations were adopted at the end of the event: the African NGO Declaration called on NGOs to give priority to improving their analysis and advocacy work on the implications of globalization and liberalization, and, similarly, the International NGO Declaration expressed concerns about globalization and the impact of liberalization policies and made recommendations to governments, international institutions and NGOs.

#### ***IV. THE NGO DIMENSION OF THE UNCTAD X CONFERENCE (2000)***

Preparations for the contribution by NGOs to UNCTAD X (Bangkok, February 2000) were extensive, involving seven preparatory consultations in most regions and a Geneva UNCTAD-NGO consultation in December 1999 that brought together 44 NGO representatives from 22 countries. In addition to exchanging information on the Conference and its preparatory process and the issues on the Conference agenda, NGOs adopted a joint statement that was delivered to the Executive Session of the Trade and Development Board on 17 December 1999<sup>22</sup>.

In Bangkok, some days before the UNCTAD X Conference, representatives of NGOs, in

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<sup>22</sup> The operative part of this statement stated that:

“At UNCTAD IX in 1996, many civil society organizations drew attention to the negative effects of globalization on the lives on the majority of the world's people. We note that since UNCTAD IX, the inequities and imbalances of globalization and liberalization have grown worse. Problems in the implementation of the Uruguay Round Agreements and their negative impacts on developing countries; the financial crises in Mexico, East Asia, Russia and Brazil, and most recently the collapse of the Seattle WTO Ministerial Conference have brought to the fore the inherent limitations of leaving issues of development to unfettered market forces.

As organizations concerned with development, we concur with the G77's analysis that contrary to the promise of prosperity for all, the prevailing neo-liberal economic order has contributed to the concentration of wealth in the hands of the few; increased the poverty of large sections of the world's population; and perpetuated unsustainable patterns of production and consumption. While national and domestic policies have a role to play in this, the main causes of this situation are the unequal and unjust international economic, trade and financial structures. These realities have fundamentally challenged the legitimacy of the international trade and financial regime based on this paradigm.

Clear lessons have emerged which must now be integrated into the thinking of intergovernmental organizations such as UNCTAD. The first of these lessons is that economic liberalization must be understood as a means not an end. The end that economic liberalization should serve is the increased over-all human well-being and equity between peoples and nations. The second lesson is that international institutions can only retain their credibility and legitimacy by ensuring that their operations are democratic and transparent, that their decisions are of equal benefit to all, and that the policies are evaluated by their impact on people's lives rather than aggregate national economic indicators.”

cooperation with the UNCTAD secretariat and as part of the official Conference programme, held a two-day “Plenary Caucus” which was attended by some 160 participants representing around 120 NGOs from over 40 countries. The Plenary Caucus adopted a joint statement that was delivered to UNCTAD X the following week and widely diffused as an official Conference document (TD/382).<sup>23</sup> The statement opens:

“We oppose the promotion and imposition of neoliberal theories and programmes incorporating liberalization, selective deregulation, privatization and the commercialization of all aspects of human life and endeavors. And we are opposed to the usurping of the roles of national governments and citizens’ democratic rights by global institutions such as IMF, World Bank, and the WTO.” The substance of document TD/382 deals with Agriculture and Food Security, Debt and Reparations, Finance, and Labour. In these areas, the NGOs argued for new approaches and policy frameworks. The statement also articulated a civil society vision for the future role and work of UNCTAD.

NGOs participated actively in the formal and informal activities of UNCTAD X. A number of lobbying and advocacy initiatives were undertaken by NGOs on the outstanding text of the Plan of Action still under negotiation in Bangkok. Many NGO statements to the Plenary articulated a compelling critique, from a social and human perspective, of the negative impact of globalization and liberalization. They were also supportive of the role of UNCTAD as an independent centre of research and analysis from a development perspective, and as a forum for policy dialogue and advocacy on development/globalization issues.

In his report to the conference, Rubens Ricupero, Secretary-General of UNCTAD, called for regular meetings between UNCTAD and non-governmental actors in order, “to enrich its debates on policy issues related to global finance, knowledge and information flows, technology and their linkages to development.”<sup>24</sup> As one of the actions taken in follow-up to the Conference, the UNCTAD Secretary-General established a new unit for Civil Society Outreach within the UNCTAD Secretariat.

## *V. FROM CONSULTATIONS TO DIALOGUE*

Since 1988 UNCTAD has held regular consultations with civil society. These consultations have covered a range of topics often of immediate relevance to preparations for upcoming UNCTAD conferences<sup>25</sup> and have provided important opportunities for UNCTAD secretariat and NGO representatives to exchange information and analysis on core trade and development issues.

Recently, the UNCTAD secretariat, aware of the need to further broaden civil society participation in the work of the intergovernmental machinery, has been favouring a more focused dialogue, conducive to creating a more fertile ground to make use of the diverse knowledge and

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<sup>23</sup> “UNCTAD and civil society: Towards Our Common Goals”. Statement adopted at the NGO Plenary Caucus and presented to the Plenary of UNCTAD X, February 2000.

<sup>24</sup> Report of the Secretary-General of UNCTAD to UNCTAD X, TD/380, 29 July 1999, pp. 58-60.

<sup>25</sup> “The Uruguay Round, Commodities, Third World Debt and the Least-Developed Countries” (November 1988), “Commodities: Old Problems, New Issues” (December 1989); “The International System in Transformation: Lessons since UNCTAD VII, Prospects for UNCTAD VIII” (November 1990); “What’s at stake at UNCTAD VIII?” (December 1991); “Development Issues in the aftermath of UNCTAD VIII” (April 1993); “Development in a Liberalizing and Globalizing World Economy: Issues on the International Economic Agenda” (November 1995); “Seventh UNCTAD/NGO Consultation with NGOs and Trade Unions” (June 1998); and, “Preparing for UNCTAD X” (December 1999).



experiences that civil society possesses on trade and development issues. The main objective is to build UNCTAD-civil society alliances and platforms, around a limited number of topics in order to maximize the potential impact on the intergovernmental process<sup>26</sup>.

A Dialogue held in December 2001 was the first initiative in this direction, which will hopefully contribute to mobilizing a solid civil society representation in UNCTAD. There is, of course, great scope to use better the wealth of knowledge accumulated by the NGOs which have consultative status with UNCTAD. In this respect, special attention could be given to easing formal arrangements for civil society participation in the intergovernmental machinery.<sup>27</sup>

## ***VI. CONCLUSIONS***

Over the past twenty years UNCTAD has built up a solid track record of NGO participation in various aspects of its work and NGOs have played a critical and constructive role in respect of the major UNCTAD conferences, the role of a “loyal opposition”.

It was underlined yet again at UNCTAD X that, UNCTAD as a U.N. organization, is perceived in a different light from that of the Bretton Woods institutions and WTO, as a moral or ethical counterweight. This stems from its inclusive and universal character, its transparency and openness to public scrutiny, its independent analysis, and the fact that the goals of the United Nations and UNCTAD are shared by the NGO community. NGOs have consistently argued for UNCTAD’s role and capacity as an independent, critical and pro-development forum of global economic governance to be strengthened. Many would like to see the UNCTAD secretariat being more assertive and proactive in its critique of liberalization and globalization, and in promoting alternative thinking and ideas, and for the results of the work of its intergovernmental machinery to have more consequence and weight.

In recent years, in the context of Secretary-General Kofi Annan’s Programme for U.N. Reform, and in light of rapidly changing political realities following the end of the Cold War, many U.N. organizations have been undertaking fundamental reviews of their relations with NGOs and have been introducing new ways of fostering formal and informal dialogue between governments and NGO representatives.

In light of these developments, UNCTAD might usefully consider reviewing its relations with NGOs and soliciting the views of Member States, NGOs and the secretariat. As part of this, and in view of the follow-up to UNCTAD X and the outcome of the Brussels U.N. LDC-III Conference, UNCTAD could undertake some reflection on how more opportunities might be created for exchange and dialogue between governments and NGOs in the periods between the major UNCTAD Conferences, including during sessions of the TDB and its subsidiary intergovernmental bodies.

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<sup>26</sup> See D. Bhattacharya "Outcome of the Dialogue as summarized by the Chairperson" (in this publication).

<sup>27</sup> See, A. Haffouz "Institutional Framework for Civil Society Cooperation with UNCTAD" (in this publication).

*PART II*

***CONTRIBUTION TO THE DIALOGUE BY REPRESENTATIVES OF  
CIVIL SOCIETY***

*A. Views on issues and concerns of the LDCs*

## **LDCs AFTER BRUSSELS AND DOHA: CATCHING UP OR FALLING FURTHER BEHIND?**

by

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### **I. INTRODUCTION**

While the decade of 1980s was dubbed the “lost-decade” for developing countries in general, the 1990s have become the decade of increasing marginalization, inequality, poverty and social exclusion, LDCs in particular.<sup>29</sup> The decade of the 2000s may well become a decade of rhetoric and inaction, if the present trend continues. The 49 LDCs, which collectively are home to 10.7 per cent of the global population, have a 0.5 per cent share in global GNP.<sup>30</sup> Furthermore, despite resounding rhetoric, their share in global trade is rapidly falling and it now stands at 0.4 per cent.<sup>31</sup> The efforts made to integrate these countries into the multilateral trading system have so far largely failed.

Against this backdrop, the objective of this paper is to identify the weaknesses plaguing the LDCs; to indicate the measures taken to date to integrate them into the multilateral trading system and the reasons for their failure; and finally, to propose some recommendations based on the progress (or lack of it) made during the Third United Nations Conference on the LDCs and the recently concluded Fourth Ministerial Conference of the World Trade Organization (WTO).

### **II. WEAKNESSES PLAGUING THE LDCS**

There are serious social, economic, political and structural weaknesses persisting in the LDCs, which are responsible for their exclusion from the global economic mainstream. While some of these are due to their specific geographical location (such as landlockedness), some are political (such as civil strife), some are social (poor health and education), while some others are structural (low productivity). However, all these factors are inextricably intertwined. Thus at the outset a short description of such weaknesses is in order.

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<sup>28</sup> The views expressed by the author in this paper are personal and should not necessarily be ascribed to SAWTEE.

<sup>29</sup> Cuddy, John (2001). “The State of Development in Least-Developed Countries” in *Bridges*, Year 5, No. 4, May 2001, International Centre for Trade and Sustainable Development (ICTSD), Geneva: 2.

<sup>30</sup> UNCTAD (2001). *Statistical Profiles of the Least Developed Countries*, prepared by the UNCTAD Secretariat, United Nations, New York and Geneva: 4.

<sup>31</sup> While LDCs share of global trade declined from 0.48 percent in 1990 to 0.4 percent in 1999, exports nevertheless now represent 49 per cent of their gross domestic product compared with 35.8 per cent a decade ago, thus signifying increased openness to trade in the LDCs. See, ICTSD (2001), “Least-Developed Countries: No New Trade Concessions Before Doha,” in *Bridges*, Year 5, No. 4, May 2001, ICTSD, Geneva: 2.

### A. *Competitive ability*

In the era of global competition, it is not sufficient for LDC companies to be locally competitive. They need to be globally competitive, for which they should possess some competitive advantage such as economies of scale, cutting edge technology, marketing calibre, efficient production and distribution systems or cheap labour. Of these attributes, by way of example, the LDCs do not have comparative advantage in any one of them except for labour.<sup>32</sup> However, because of the low productivity of such labour, resulting mainly from lack of education and skills, poor health and other factors, even this aspect of comparative advantage of the LDCs has not been fully exploited. In sum, the precarious socio-economic situation and structural weaknesses inherent in the economies of the LDCs relegate these countries to a very weak competitive position in the current global economic setting.<sup>33</sup>

### B. *Supply-side constraints*

The lack of linkages within and between productive services and infrastructural sectors, insufficiently developed human resources, shortcomings in production technologies, deficiencies in physical infrastructure, and an inability of the LDCs to generate adequate resources to address these problems constitute the major supply side constraints that they are faced with.<sup>34</sup> Other infrastructural bottlenecks include transport and communication problems, lack of requisite credit facilities, cumbersome bureaucratic procedures, lack of reliable data on exportable items, and limited awareness among the LDC business communities of the rules and procedures applicable to international trading. The small size of these economies, and their disadvantaged geographical locations far away from the major metropolitan centres of international trade and finance place formidable constraints on their integration into the WTO system. LDCs also suffer from a number of other specific deficiencies, especially in respect of export promotion and export marketing.

### C. *High export concentration ratio*

The LDCs have not been able to diversify their domestic production structures, not only with regard to manufactured goods, but even to their primary commodities. This renders them especially vulnerable to international market volatility. Of the 4,162 products exported by LDCs to 30 major trading partners in 2000, 127 products accounted for 90 per cent of their total export trade. On an average, the top three commodities exported by each LDC usually account for over 70 per cent of its total exports.<sup>35</sup> The export concentration ratios (defined as the share of the principal export product in the total export value) have remained high and broadly stable since 1980 for all LDCs. Several countries greatly depend on particular primary commodity exports. Such concentrations tend to be highest in sub-Saharan Africa.<sup>36</sup> What makes the situation even worse for many LDCs is

<sup>32</sup> Adhikari, Ratnakar and Hiramani Ghimire (2001). *Integrating LDCs into the Multilateral Trading System: Rhetoric Galore*, Monograph No. 2, South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu: 7.

<sup>33</sup> UNCTAD (1999b). *Integrating Least Developed Countries into the Global Economy: Proposal for a Comprehensive New Plan of Action in the Context of the Third WTO Ministerial Conference*, adopted at The Challenge of Integrating LDCs into the Multilateral Trading System: Coordinating Workshop for Senior Advisors to Ministers of Trade in LDCs, Sun City, South Africa: 21-25 June 1999: 1.

<sup>34</sup> See UNCTAD (1999a). *Overview of the UNCTAD Least Developed Countries Report 1999*. United Nations, New York and Geneva. For further details refer to UNCTAD's website [www.unctad.org](http://www.unctad.org).

<sup>35</sup> WTO Sub-Committee on Least-Developed Countries (2000), *Market Access Conditions for Least Developed Countries (WT/LDC/SWG/IF/14)*.

<sup>36</sup> For example, coffee occupies 82.7 per cent, 69.4 per cent and 63.6 per cent of the share of total export value of Uganda, Rwanda and Ethiopia respectively. Chandrasekhar C.P. and Jayati Ghosh (2000), "WTO and Poor Countries" *CUTS-CITEE Briefing Paper*, Jaipur: 3.

that, while such exports (of any single item) may dominate their export basket, they count for relatively little in terms of the international supply, so that these countries are also unable to influence world prices in a way beneficial to them.<sup>37</sup>

#### *D. Implementation problems*

For a variety of reasons, many LDCs have not been able to comply with several WTO provisions. At the time of signing of the Uruguay Round (UR) Final Act (December 1994), it was decided to provide certain transitional periods for LDCs for the implementation of some agreements such as TRIPS and TRIMs. However, pointing out the need to extend the transitional period for the LDCs, an UNCTAD report states that such “time bound transitional periods” given to LDCs have serious shortcomings.<sup>38</sup> The LDCs are also required to bring their trade policy regime in line with the WTO rules. This requires new laws, new institutions, and skilled human resources. Even the administrative machinery has to undergo change. These are extremely costly exercises, which LDCs cannot afford to undertake with their present level of resources and range of expertise.

#### *E. Tortuous accession process*

The accession process of the countries or customs territories of the WTO are governed by Article XII of the Marrakesh Agreement. According to this provision, existing WTO Members decide whether or not a particular country is ‘capable’ of acceding to the WTO. During the accession negotiations the objectives of the existing Members will be to extract the maximum concessions from any new applicant. It is a harsh reality that countries applying for WTO membership *do not get what they deserve but what they negotiate*.<sup>39</sup> This is one of the reasons why not one LDC has been able to enter the WTO since its inception, despite the fact that 20 new Members have been admitted to the WTO over the past six years.

The accession of Vanuatu, a small island LDC, which was programmed to take place during the Fourth Ministerial Conference of the WTO, could not materialize. The degree of frustration that Vanuatu was subjected to during its ongoing accession process is aptly described by Grynberg and Joy (2000). They remark, “While it remains one of the enduring convenient clichés of the multilateral trading system that the WTO is a ‘rule-based system’, the actuality is that accession is inherently power based and the very antithesis of the WTO’s credo.”<sup>40</sup>

<sup>37</sup> Chandrasekhar, C.P. and Jayati Ghosh (2000). *op.cit.*, note 8: 4.

<sup>38</sup> Cf. SUNS (n.d) “LDCs to lose \$ 3 billion from Uruguay Round, says UNCTAD” in *South-North Development Monitor* (SUNS) No. 3620, Geneva: 2.

<sup>39</sup> Bhattacharya, Debapriya and Mustafizur Rahman (1999). “The Least Developed Countries in The WTO: Strengthening Participation Capacities”, paper prepared for the "Meeting of Senior Officials on Future WTO Trade Agenda and Developing Countries", organized by UN-ESCAP at Bangkok on August 23-25, 1999.

<sup>40</sup> Grynberg Roman and Roy Mickey Joy (2000). “The Accession of Vanuatu to the WTO: Lessons for the Multilateral Trading System” in *Journal of World Trade*, Vol. 34 No. 6, December 2000, Kluwer Law International, Dordrecht: 159.

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### *F. Digital exclusion*

In the era of globalization, the information and communication technologies (ICT) revolution offers genuine potential, but also presents the risk that a significant portion of the world will lose out on this.<sup>41</sup> Since LDCs are excluded from the digital global economy, it has created a sharp digital divide in an already divided world. As indicated in the ILO Employment Report 2001, the digital divide looms large in the global economy. This Report stresses that despite the phenomenal growth of ICT in the industrialized world and its increasing penetration into developing countries, “vast swathes” of the globe remain “technologically disconnected” from the benefits of the electronic marvels that are revolutionizing life, work and communication in the digital era.

The Report further highlights the very real constraints facing developing countries in their capacity to join the communications revolution. Those countries and regions that fail to make the “technological leap” not only risk missing out on the large and growing trade in information and communications technology products, but will be unable to profit from the economic efficiency and productivity gains that derive from these industries, the Report states. Such a development has created, by implication, additional barriers to the LDCs for their integration into the global economy. Access to these technologies will continue to be extremely restricted because a vast majority of LDC institutions and individuals cannot afford to buy them.

### **III. A BRIEF REVIEW OF FAILED EFFORTS**

Recognition of the problems inherent in the LDCs and their realization of the need to integrate into the world economic system have led their development partners to make some genuine (some not so genuine) efforts to assist in this process. Such attempts have mostly failed; this paper concentrates only upon some of the major efforts undertaken.

#### *A. Market access*

Market access opportunities of the LDCs are not only impeded by tariff barriers, but also by non-tariff barriers. Among the tariff barriers the most pernicious one is tariff escalation, which discourages LDCs from advancing along the processing chain, where much of the added value of a product is realized. FAO studies have shown that tariff escalation even in the post-UR era has averaged 17 per cent in Europe, the United States and Japan, and in many countries of interest to LDCs it has been much higher (e.g., 85 per cent on second-stage fruit products entering the EU, 82 per cent on first-stage sugar products entering Japan and 28 per cent on second-stage sugar products entering the United States).<sup>42</sup> However, this is not to suggest that tariff peaks are not also a major problem for LDCs.

The prevalence of tariff peaks and tariff escalation on products emanating from LDCs is the great scandal of our time. Though the idea of providing zero tariff access was conceived at UNCTAD VIII, held in Cartagena in 1992, nothing concrete has yet come from this proposal. Zero tariff market entry is a necessary, but not a sufficient, condition for the better integration of LDCs into the multilateral trading system, but this idea has been used and abused over the years, more for political purposes than for economic reasons. The idea was reborn in the Singapore Ministerial Meeting of the WTO, when the then Director-General of the WTO made a plea to the Members of

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<sup>41</sup> See UNNGLS (2001). *Go Between*, No. 84, January-February 2001, United Nations Non-government Liaison Service, Geneva: 30.

<sup>42</sup> Cuddy, John (2001). *op.cit*, note 1: 4.

WTO to consider the proposal seriously, but there was lukewarm response to his proposal.

This was followed by the proposal of the EU to provide zero tariff access to “essentially all” products originating from LDCs. Finally, just two months before the U.N. LDC-III Conference, the EU made its ‘Everything But Arms’ (EBA) proposal, which kept rice, sugar, bananas (and arms) outside of the zero tariff. The LDCs were jubilant, thinking of better market access opportunities, but little realizing that rules of origin requirements and non-tariff barriers could still hamper their trading prospects.

### B. *Special and differential treatment*

Acknowledgement of the difficulties, which the developing countries as well as LDCs are likely to encounter in fulfilling their obligations under the UR’s Multilateral Trade Negotiations (MTN), led to the continuation of the special and differential (S&D) provisions of the GATT in various WTO agreements. These provisions, in sum, entail: (i) a lower level of obligations; (ii) a more flexible implementation schedule; (iii) best endeavour commitments by developed countries; (iv) more favourable treatment for LDCs; and (v) technical assistance and training.<sup>43</sup>

The GATT 1994 section of the UR final act contains special and differential provisions for the LDCs in 16 different agreements<sup>44</sup>. These provisions allow LDCs to undertake smaller reduction commitments and a longer time frame in which to implement some of the agreements. Such agreements include the Agreement on Agriculture (exemption from reduction commitment), the TRIPS agreement (higher transitional period of 11 years, technology transfer), and the Agreement on Subsidies and Countervailing Measures (non-prohibition of export subsidies). However, these commitments, often known as ‘best endeavour clauses’ are not legally binding. Therefore, developed countries have not even made any explicit attempts so far to fulfil these commitments.

### C. *Integrated Framework*

During the Singapore Ministerial Meeting held in December 1996, a Comprehensive and Integrated Plan of Action was devised, which, *inter alia*, stipulates a closer cooperation of the WTO with five other agencies to help LDCs better to integrate into the multilateral trading system; enhanced market access conditions for LDCs and technical assistance to help them implement the WTO Agreements. For this, the LDCs were required to formulate and present their trade-related technical assistance needs. However, some of the LDCs have not so far been able to prepare such needs assessment documents.

A follow-up plan was undertaken at the “High-level Meeting on LDCs” held in Geneva in October 1997. The outcome of this meeting was to entrust the tasks of preparing “trade-related technical assistance needs” of the LDCs to a consortium of six agencies, namely, WTO, World Bank, IMF, UNCTAD, UNDP and the International Trade Centre (ITC). Some months before the U.N. LDC-III Conference was held, this consortium started a pilot programme for two of these countries, with the hope that this would then be replicated to other LDCs if found to be successful.

<sup>43</sup> Bhattacharya, Debapriya and Mustafizur Rahman (1999). *op.cit.*, note 11: 3-4.

<sup>44</sup> Adhikari, Ratnakar and Hiramani Ghimire (2001). *op.cit.*, note 4: 5

#### IV. U.N. LDC-III: WAS IT A WINDOW OF OPPORTUNITY ?

The Third U.N. Conference on LDCs (May 2001) provided one more opportunity to the international community in identifying ways and means to integrate the LDCs into the world economy. Its main focus was the *Paris Declaration and the Programme of Action for the Least Developed Countries for the 1990s*. In this Declaration, the international community had committed itself to urgent and effective action, based on the principle of shared responsibility and strengthened partnership, to arrest and reverse the deterioration in the socio-economic situation of the LDCs and to revitalize their growth and development.

The Conference focused on making objective assessments with regard to commitments made in the areas of Official Development Assistance (ODA), debt relief, investment promotion, and international trade. The Conference agreed on seven areas of commitment, where both the international community and national governments would work together. These being a people-centred policy framework, good governance, capacity building, productive resources, trade and development, environmental protection, and mobilization of financial resources.

The Conference recognized the need to transform trade into a powerful engine for growth and poverty alleviation in LDCs. The role of trade in generating resources for financing growth and development as a complement to ODA and FDI was fully underscored. Accordingly, the international community has undertaken to assist LDCs in capacity building in trade policy and related areas, developing human and institutional capacities for meaningful participation in multilateral trade negotiations, and removing procedural and institutional bottlenecks that increase transaction costs. Similarly, LDCs have been assured of assistance in the areas of trade diversification, infrastructure development, regional/sub-regional cooperation, and protection of women's interests. The Conference also underlined the need for improving preferential market access to LDCs, full implementation of special and differential treatment measures foreseen by the WTO system, simplified accession procedures, and due representation of LDCs in international standards organizations. In the area of market access, however, the Brussels Programme of Action cautiously states that development partners will 'aim at' (rather than 'commit to') enhancing LDCs participation in the multilateral trading system. For example, paragraph 68 (h) of Commitment 5 (Enhancing the role of trade in development) should be read as follows:

“Development partners will aim at...(h) Improving preferential market access for LDCs by working towards the objective of duty-free and quota-free market access for all LDCs' products.”

This contrasts with earlier draft language that would have committed the partners to aiming a little higher, i.e., “removing all trade barriers facing LDC exports in the markets of developed trade partners in the shortest possible time, and in any case no later than 2003.”<sup>45</sup>

Despite the use of 'soft' languages, the Conference emphasises on an effective implementation of the Integrated Framework and encourages new and additional contributions to the Trust Fund created under the Framework. Importantly, the Conference requested developed countries and multilateral agencies to provide assistance to LDCs in their efforts to develop infrastructure for tradable services in which they have comparative advantage.

The Brussels Conference outcome could still be considered as a major breakthrough in overcoming the semantic barriers. However, if past experiences are any guide, at best they provide a basis for further talks on the possibility of implementing Conference decisions. As mentioned

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<sup>45</sup> ICTSD (2001). *op.cit.*, note 3: 1.



above, what is intriguing is the language in which these decisions are presented. They are expressed as being “commitments” on the part of the respective governments/agencies. However, the Programme of Action adopted at the Conference uses a recommendatory language for them. In fact, the so-called “commitments” are even weaker than recommendations. Reviewing the text of the Programme, one gets the impression that participants of the Conference wanted to present to the international community an ideal situation without bothering about how this could be realized. In other words, this is again the expression of ‘best-endeavour’ language, not a series of binding commitments.<sup>46</sup>

## **V. THE DOHA MINISTERIAL CONFERENCE: CONFIDENCE BUILDING AT A SNAIL’S PACE**

Despite their meagre achievements in the Brussels Conference, the LDCs were of the opinion that whatever precious little had been achieved, it should be reviewed in the Doha Ministerial Conference (November) in order to ensure that “commitments” could be made binding. In fact, one of the objectives of the Zanzibar Meeting of the LDC Trade Ministers (July 2001) was to achieve the same objective. This Meeting did conclude with a few concrete proposals, not only on the Brussels issues, but also on many other fundamental issues, including, but not limited to, the development agenda. Core issues raised by the development agenda include market access for LDC exports, the implementation of existing provisions, built-in agenda, and “new issues”. Similarly, the Meeting emphasised the full implementation of existing provisions with special reference to the UR Agreements on agriculture, trade in services, subsidies, technical barriers to trade, trade-related investment measures, textiles, and intellectual property rights.

However, the momentum gained during the Zanzibar Meeting could not be sustained in Doha in the true sense of the term for several reasons. First, developed countries may have considered that there were many other more pressing needs during the Doha Conference than fulfilling the demands of the LDCs. Second, LDC issues became diluted because of the fight between developed and developing countries on implementation issues versus a new round of negotiations, which also implies the possibility of inclusion of new issues. Third, LDCs, as a group, despite being generally cohesive, could not create the required impact on the Conference. Although there was some mention of the LDCs concerns in the final Ministerial Declaration, issues like market access, technical cooperation, special and differential treatment, capacity building, addressing the supply side constraints, effective participation of the LDCs in the multilateral trading system could not, and did not, receive due consideration from the ministers with many diverse interests.

### *A. What did the LDCs gain from Doha?*

The single major achievement for LDCs is probably best expressed in the following sentence in paragraph 42 of the final Doha Declaration:

“We commit ourselves to the objective of duty-free, quota-free market access for products originating from LDCs. In this regard, we welcome the significant market access improvements by WTO Members in advance of the Third UN Conference on LDCs (LDC-III), in Brussels, May 2001. We further commit ourselves to consider additional measures for progressive improvements in market access for LDCs.”

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<sup>46</sup> Ghimire, Hiramani (2001). “Least-developed countries in search of identity in the WTO” in Amit Dasgupta and Bibek Debroy (eds.), *Salvaging the WTO’s Future – Doha and Beyond*, Konarak Publishers, New Delhi.

Contrasting this with the content of paragraph 68 of the Brussels Programme of Action, one can assume that Doha offers a much better formulation, even though the developed countries might still be reluctant to act concretely in this regard. Having realized that the prevailing attitude of both the ministers of developed Member countries as well as of the WTO secretariat was to provide “lip service”, the LDCs ministers insisted on a time-bound action programme for use by the Sub-Committee for Least Developed Countries to design a work programme concerning trade-related elements of the Brussels Declaration and Programme of Action, and to report on the agreed work programme to the WTO General Council at its first meeting in 2002. Similarly, the following sentence is contained in paragraph 43 of the Declaration related to the Integrated Framework:

“We request the Director-General, following coordination with heads of the other agencies, to provide an interim report to the General Council in December 2002 and a full report to the Fifth Session of the Ministerial Conference on all issues affecting LDCs.”

There is sporadic mention of LDCs in several places in the Doha Declaration and the two other documents attached to the same. These are related to, *inter alia*, marginalization, accession, services negotiations, industrial tariff negotiations, investment, competition policy, trade facilitation, environment, debt and finance, technical cooperation and capacity building, and special and differential treatment.

### *B. Bridging the gap?*

To some extent, the Doha Conference can be considered as an attempt to bridge the gap between the developed and the developing as well as least-developed countries. However, a number of proposals made by the LDCs post-Zanzibar were not included in the text. For example, the LDCs were resolutely opposed to the launching of the new WTO round – for a multiplicity of reasons, including the possibility of the expansion of WTO’s jurisdiction into the areas in which they have no expertise and the imperative of not diverting attention from the earlier commitments made (but as yet unimplemented) in favour of LDCs.<sup>47</sup> Similarly, the market access text does not cover most of the decisions of the Zanzibar meeting. Nonetheless, on the whole, the Doha Declaration cannot be considered as a “third-best” outcome for the LDCs, given their limited political influence during the Conference; since first-best was not possible for the time being, they had to settle for the second-best, which they did.

## **VI. CONCLUSIONS**

Reversing the scandalous trend of the marginalization of LDCs within the global trading system despite their relative openness to international trade, is not an easy task. Some of the genuine efforts by various multilateral, bilateral and intergovernmental agencies to achieve such a reversal have not produced the desired results. Clearly, there is a need to arrest this adverse trend by moving beyond rhetoric. However, the LDCs are equally to be blamed for the continuation of the status quo.

As time passes and the international community becomes increasingly aware of the need to better integrate LDCs into the multilateral trading system, things seem to be moving in the right direction. The LDCs have been gaining incremental support or commitments from their

<sup>47</sup> See Ghimire, Hiramani (2001), “The WTO at a crossroads: Implications of Doha meeting for LDCs” in SAWTEE newsletter No.22, September-November 2001, SAWTEE, Kathmandu: 9.

development partners. Starting from the Marrakesh Ministerial Conference, and traversing through the meetings held in Singapore, Geneva and Brussels, the Doha Ministerial Conference did offer a window of opportunity for LDCs. But, considering the attitude of the developed countries, and taking their past record of fulfilment as a guide, the commitments made during the Doha Conference should also be closely monitored by the LDCs to ensure that they are translated into reality. The danger is that LDCs might trip over the fine print of the Declaration and lose sight of the major goals that they are trying to achieve.

Finally, it is necessary for the LDC governments to understand that they need to keep their house in order, so as to ensure the benefits of improved market openings, if at all. Therefore, they should *inter alia* focus on enhancing the product profile; developing their human resources; restructuring administrative institutions; promoting technologies; mobilizing international support; providing incentives for innovation; compensating the losers and creating safeguards.

## **VII. RECOMMENDATIONS**

Taking account of the lack of sincere commitment and paucity of efforts on the part of various actors, integrating LDCs into the multilateral trading system is not likely to become a reality unless an organization like UNCTAD continues its untiring efforts, as in the past, to realize the following objectives:

### *A. On the issue of market access*

- (a) Zero tariff and quota free access must be provided to all LDC exports, and exports of LDCs should be totally exempted from anti-dumping and/or safeguard measures.
- (b) Standard setting should be done strictly on the basis of scientific criteria and the LDCs' capacity to meet standards should be enhanced to cope with them.
- (c) The WTO in association with UNCTAD should address the problems of the lower product price realization by the LDCs.

### *B. On the issue of implementation of the WTO Agreements:*

- (a) Special and differential treatment must be made binding, with proper provisions for notification and monitoring. Transitional periods provided under various WTO Agreements should not be based on some milestones, but should be dynamic, taking into account the prevailing economic conditions in countries at various stages of development.
- (b) Preferential treatment should be provided to the export of textiles and clothing from LDCs after 2004.

### *C. On the issue of participation of LDCs in the WTO processes*

- (a) All the acceding LDCs should be provided fast track accession to the WTO. No such conditionality should be imposed upon acceding LDCs, which are stricter than those applied to the founding LDC members.
- (b) The WTO system should provide resources to the LDC members and capacity building opportunities to enhance their participation in the WTO processes.

*D. On the issue of overcoming supply side constraints*

- (a) The Integrated Framework should focus on strengthening critical infrastructure sectors in the LDCs.
- (b) Accelerated debt relief should be provided to the LDCs, the gains from which can be utilized by them for the purpose of overcoming their supply side constraints.

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## **CIVIL SOCIETY IMPLEMENTATION OF DECISIONS OF THE THIRD UNITED NATIONS CONFERENCE ON THE LDCs FOR POVERTY ERADICATION**

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### ***I. CONDITIONS FOR ENSURING SUCCESSFUL IMPLEMENTATION***

In considering how to implement the results of the U.N. LDC-III Conference in Brussels, critical importance should be given to the national and regional follow-up activities. In this regard, the concept of a National Development Forum could be of great assistance to ensure effective implementation by helping all civil society representatives as well as governmental bodies in indicating their concern, and to invest in the process as actors and owners of their own development. It is therefore urgent to define the composition or the components of the implementation process, its mission or role, and to develop a good functioning mechanism, keeping in mind that the process should not become a “prisoner” of the government or of its international partners.

Well-functioning linkages should be forged at the different levels of follow-up activity, and the effectiveness of the implementation of the Brussels Programme of Action also will depend on a better cooperation and coordination between the international institutions and systems that are supporting the LDCs.

Using this UNCTAD/Civil Society Dialogue as an example, there should be a periodical collection of the recommendations and commitments, agreements/decisions and outcomes of the various global summits, conferences, round tables, working groups or seminars that are held on the issues, including cross-cutting issues contained in the Brussels Programme, in order to coordinate global action and to adapt any necessary measures and activities, through major reviews, knowing that the success of local, subregional and regional implementation depends on the effectiveness of global actions.

The organs and organizations of the U.N. system are required to integrate into their respective work programmes the seven Commitments of the Brussels Programme of Action in each LDC, and to help the LDCs to set up and maintain effective strategies of implementation.

At this Conference, an NGO Forum was also held in Brussels, embracing representatives of NGOs and civil societies of the LDCs. This Forum concluded by establishing a Civil Society LDC-III Watch to be guided by a follow-up Committee. This Committee was comprised of international representatives and regional representatives for French-speaking African countries, including Madagascar and Haiti, English-speaking African, Pacific and Asian countries, as well as partners, representatives of European and American NGOs. This Committee was also seen as playing a major role in the process of setting up and guiding the work of a National Development Forum.

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## **II. AN INDISPENSABLE TOOL: THE FOLLOW-UP COMMITTEE FOR THE NGOs AND CIVIL SOCIETIES OF LDCs**

### A. The Committee's mission and general provisions

It is specified that the Committee:

- (a) Is a specific and independent organization with an international, regional, local, legal and official recognition.
- (b) Will work as a permanent representative of the civil societies of LDCs with a status within the global institutional and operational system of implementation and monitoring of all actors of development and poverty alleviation, such as governments, private sector entities and bilateral and multilateral cooperation organisms.
- (c) Will ensure regular interventions as the voice of the LDCs civil societies at all levels and within other groups or systems that are tackling issues closely related to the seven Commitments of the Programme of Action.
- (d) Will help to provide legitimacy to NGOs and other organizations of civil society at local, regional and international level and to support them for their full participation in the implementation and Watch of the implementation of the Programme of Action for LDCs as well as for other programmes with the same purposes.
- (e) Will ensure the participation, as real partners, of civil societies of the LDCs in all international, regional and subregional meetings.
- (f) Will help the different stakeholders to find practical ways of implementation and monitoring. In this regard, helping in the setting up of a structure like the "National Development Forum for LDCs" in which the focal point that was identified during the national preparatory process could be designated as the representative of the civil society.

### B. *The Committee's functions at the national level*

It is specified that the Committee will:

- (a) Ensure the recognition of the legitimacy of the follow-up Committee in each LDC, using it as a kind of platform to help in the full integration of civil society into the national mechanism of implementation and monitoring of the Programme of Action; this can be reached by the strengthening of the Local Development Forum, which was established during the preparatory process of U.N. LDC-III Conference.
- (b) Help to define ways of effective and immediate implementation policies; in this respect, the Committee, as a representative of the civil society, should help to achieve the success of the sectoral approaches that governments are actually developing as an effective strategy of implementation.
- (c) Build a strong partnership (i) between the Government and the Local Development Forum, and (ii) between the Local Development Forum and the local institutions representing the U.N. system, the representatives of the World Bank, the European Union, the bilateral donors and any other international institutions that are helping the LDC governments, in the provision of their support.
- (d) Work with the Government in order to build a coherent national framework for a global

strategy of implementation, ensuring a good coordination between the existing strategies PRSP and sectoral programmes.

- (e) Organize a framework for mobilization of internal resources, as well as subregional, regional or international financial aid.
- (f) Contribute to ensuring a good coordination among the international development partners and between them and their local partners.
- (g) Create or enable a national environment that will:
  - Allow a partnership between civil society and the Government as well as the other actors of development within a participatory process which will allow a full participation of the civil society and its organizations into the local system of implementation and monitoring of the Programme of Action (such as the National Development Forum).
  - More specifically, allow a close partnership between civil society and the institutions that are locally representing the U.N. system, the representatives of the World Bank, the European Union and the bilateral donors.
  - Encourage capacity-building for LDCs, including the establishment of linkages between the Government, the parliament, independent institutions and civil society.
  - The strengthening of the capacity of negotiation of different actors, in order to ensure better results in the international negotiations on trade, development and the mobilizing of financial resources.
  - Urge the local institutions representing the U.N system, the representatives of the World Bank, the European Union, the bilateral donors and any other international institutions that are helping the LDCs governments to integrate the seven commitments of the Brussels Programme of Action as priorities into their existing or future programmes of assistance for development.
  - Ensure a good system of communication with the actors and with the beneficiaries of the Programme of Action (the grass roots, the rural communities, the women and the youth).
  - Ensure that the Government and civil society participate in the important subregional, regional and global events, such as round tables, conferences or working groups that are held on the issues of the seven commitments of the Brussels Programme of Action.
  - Ensure that any other national programme or Programme of Action for development or poverty reduction will directly lead to the effective implementation of the seven commitments.
  - Ensure the organization of a national review process in order to evaluate the progress made in the implementation of the seven Commitments.

### *C. The Committee's functions at the regional level*

It is specified that the Committee will:

- (a) Make effective the role of the regional representatives of this international Committee.
- (b) Ensure the recognition of the legitimacy of the international follow-up committee in each region and by the other regions.
- (c) Promote, facilitate and coordinate regional activities, for example, subregional and regional



caucuses on burning issues and ensure the participation of their civil societies in the discussions.

- (d) Encourage the sharing and working for a better development of subregional and regional frameworks and linkages in the area of trade, finance and investment, health, industry and agriculture.
- (e) Promote subregional and regional policies as a solution to common and interdependent priorities.
- (f) Help to strengthen linkages with subregional and regional intergovernmental organizations or economic groups and regional banking systems, such as UAS, Economic Community of West African States, West African States International Bank, the Central Bank of West African States to facilitate better cooperation.
- (g) Work closely with focal points of NGOs and the civil societies of each LDC in the region and facilitate partnership between them and the other actors; supporting them in urging the local institutions representing the U.N. system, the representatives of the World Bank, the European Union, the bilateral donors and any other international institutions that are helping the LDCs governments to integrate the seven commitments of the Brussels Programme of Action as priorities into their own existing or future programmes of assistance for development.
- (h) Create and sustain the regular sharing of information, experience, coordination and synchronization of strategies and action inside and between regions.
- (i) Ensure a periodical review or evaluation of the progress made by each country and region in the implementation of the Programme of Action, in order to identify the impediments and provide for their solutions.

#### *D. The Committee's functions at the global level*

It is specified that the Committee will:

- (a) Create bridges between LDCs and the developing countries (G 77) and reinforce solidarity and partnership among them in the form of south-south cooperation, subregional or regional integration and cooperation.
- (b) Emphasize relationship between leading groups such as UAS and LDCs.
- (c) Facilitate cooperation among LDCs and between LDCs and other countries, regionally and internationally.
- (d) Ensure the participation of civil societies in the important, forthcoming subregional, regional and global events, such as round tables, conferences or working groups which are held on the issues of the seven commitments of the Brussels Programme of Action.
- (e) Ensure the periodical review of the recommendations, commitments, agreements or decisions and outcomes of the various global summits, conferences, round tables, working groups or seminars that are held on the issues and the cross-cutting issues contained in the Brussels Programme of Action, in order to coordinate global actions, and secure their adaptation by means of major reviews.
- (f) Follow the main orientations of the Programme of Action concerning the implementation and follow-up by:
  - (i) assessing the economic and social performance of LDCs;

- (ii) monitoring the implementation of the commitments made by LDCs and their partners;
- (iii) reviewing the functioning of implementation and follow-up mechanisms at country, subregional, regional and sectoral levels, and policy developments at the global level with implications for LDCs.

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## ASSESSMENT OF THE THIRD UNITED NATIONS CONFERENCE ON THE LDCs AND FOLLOW-UP: A CIVIL SOCIETY VIEW

by  
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### I. INTRODUCTION

*“Your ideas about what needs doing are likely to be the most down-to-earth and practical, and therefore the most valuable. Everyone at this conference should be listening to you.”*

Kofi Annan addressed these words to representatives of the NGOs who welcomed him to the NGO Forum, which was held during the Third United Nations Conference on the Least Developed Countries in Brussels in May 2001. So, how far did the Conference listen to what NGOs had to say and how can civil society follow-up on the Conference results? The following analysis assesses the Conference Programme of Action (PoA), and suggests ways in which civil society organizations can ensure that it will have concrete results.

### II. THE LEAST DEVELOPED COUNTRIES PROGRAMME OF ACTION

The PoA agreed in Brussels was divided into two different sections of Commitments – one section dealt with the social and infrastructural development (Social Commitments), while the other section concentrated on trade and finance (Economic Commitments).

#### A. *The Social Commitments*

On the whole, there were some positive general suggestions in the social commitments, although in most cases, these were not backed up by specific measures. In too many instances, the development partners were merely asked to provide “enhanced support” or to “help LDCs to develop...” without making concrete commitments. An overall impression is that the Conference Programme was firmly committed to the model of public-private partnership for social services provision, despite increasing doubts worldwide about how far the private sector really can deliver such services in an efficient way that benefits the poor.

There were two or three key NGO demands relating to the social commitments, but the PoA rarely addressed them. An important NGO demand was that U.N. LDC-III should elaborate a comprehensive framework for transparent government in *both*, North and South. While the PoA dealt with this theme, sadly, it only referred to the need for LDC governments to improve their operations, while the behaviour of Northern governments, which obviously impacts strongly on LDC governments, was ignored.

Many NGOs emphasized the devastating effect that war and conflict had exerted on their countries' development, particularly in Africa, and they demanded that there should be a total ban of all arms sales and land mines, together with global demilitarization. However, astonishingly, in the final PoA this merited just *three* lines of text, urging LDCs to reallocate public resources, including reducing *excessive* (our italics) military expenditures. Development partners were urged to provide appropriate assistance if requested by an LDC government, but their role in the production and sale of arms was not mentioned.

The need for adequate health care was another important NGO concern, particularly as so many populations are revaged by HIV/AIDS, tuberculosis and malaria. The introduction of a special TRIPS (Trade Related Intellectual Property Rights Agreement) waiver for essential medicines could have helped to solve this, but where was it in the PoA?

In terms of agriculture and food security, civil society activists had urged developing policies that would bring production down to the level of local people. However, in contrast, the PoA only looked at ways and means of extending agri-business to support LDC development.

To close this review of social commitments on a positive note, one welcome aspect of the PoA was the agreement that improvements needed to be made for expanding facilities for women's reproductive health, education, and to encourage female entrepreneurs.

### *B. The Economic Commitments*

The other four commitments in the PoA were concerned with trade, aid and debt. In general, they took few initiatives, did not question the current economic model of globalization and displayed a United Nations committed to "Business as usual".

Before the Conference, the European Union announced its "Everything But Arms" initiative for all LDC goods. Unfortunately, this positive move was not taken up by the Conference. The text on market access is very weak, as the only reference to it in the final Declaration states: "We aim at improving preferential market access for LDCs by working towards the objective of duty-free and quota-free market access for all LDCs products."

The Commitment concerning mobilizing financial resources was also disappointing, as there was no commitment to raise ODA levels to 0.7 per cent of GNP by 2005, nor did the Conference set any targets for increasing ODA. Donors only resolved to "accelerate their endeavours to reach" the lower target of 0.15 per cent of GNP for ODA to LDCs. There was *one* positive move for LDCs, however, in terms of aid, as donors agreed to implement the OECD-DAC recommendation to untie ODA to LDCs, which had been a constant NGO demand.

Perhaps the most crucial NGO demand was for debt cancellation, and therefore this produced the biggest disappointment during the Conference as there was no movement whatsoever on this issue. Instead, the Conference agreed to continue with the existing framework of the Heavily Indebted Poor Countries (HIPC) initiative, which has been inadequate for resolving the long-term problems of LDCs. It is particularly ironic given the emphasis within the Conference on improving health facilities, that some LDCs (for example, Mozambique), now spend twice as much on debt resericing as they do on health.

At the outset the general view of LDC representatives was expressed in the phrase “we hope that this will not prove to be “just another Conference”. Sadly, the results seem to show that they were over optimistic.<sup>48</sup>

### **III. IMPLEMENTATION AND CIVIL SOCIETY FOLLOW-UP**

Given the lack of concrete results at an international level, any positive moves for LDCs must be made at the local level, where the national programmes of action are very specific. These programmes will be the true proof of the Conference. Again, to quote Kofi Annan: *“I would like to reiterate how much I believe in the power of civil society. ... This is why we at the United Nations are trying to help strengthen NGOs at the local and national levels.”* United Nations Secretary-General, Kofi Annan, in a letter to the NGO Forum on 23 May 2001.

Both, the U.N. Secretary-General and the UNCTAD Secretary-General, made it clear during and after the LDC Conference that the United Nations was committed to strengthening this role of civil society within the United Nations framework. In addition, the events of 11 September 2001, and the ensuing discussions, have meant that governments realize that in order to maintain stability, they must take account of differing world and cultural views, and that ordinary citizens should be given a voice to discuss them.

#### *A. Specific Follow-up of the LDC Conference*

The LDC Programme of Action assumed the participation of Civil Society at all levels. Section 93 states:

*“Follow-up, monitoring and review of the Programme of Action should involve all relevant stakeholders.”<sup>49</sup>*

At the national level, the involvement of Civil Society is specifically welcomed, as according to Paragraph 99:

*“The implementation and follow-up of the Programme of Action at the national levels are of primary importance. The LDC Governments should undertake this task within their respective national development framework and poverty eradication strategy, including where they exist, and with the involvement of civil society, ... on the basis of a broad-based inclusive dialogue.”<sup>50</sup>*

According to Paragraph 109, this should be repeated at the subregional, regional and global levels:

*“Arrangements for monitoring, follow-up and review at the global level are an integral part of the overall process, being all complementary and supportive to the above-mentioned arrangements at the country, subregional and regional levels.”<sup>51</sup>*

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<sup>48</sup> A more detailed civil society analysis of the Programme of Action can be found in the “Final Report of the NGO Forum at the United Nations Conference on Least Developed Countries”, available from Eurostep, 115 Rue Steven, B-1049, Brussels, Belgium.

<sup>49</sup> Section III: Arrangements for implementation, follow-up and monitoring and review, *Programme of Action for the Least Developed Countries*, May 2001.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

### *B. What Form should Civil society Participation take?*

There are many different forms that civil society follow-up could take, two of which are described below. Both were used after the major United Nations Conferences of the 1990s. The first form involves close co-operation between the relevant U.N. body and Civil society, while in the second form, Civil society decided to “go it alone”.

#### *(a) Civil Society follow-up working closely with the U.N. Structure – NGO Steering Committee to the U.N. Commission on Sustainable Development*

Following the first of the major U.N. Conferences – the Rio Conference on the Environment in 1992 – the Committee for Sustainable Development was established to follow-up on the Rio Commitments, and a U.N. “Division of Sustainable Development” (DSD) was established. One of its functions was to support civil society, which the Conference agreed had a role to play in implementing its programme. In this process, the NGOs have been represented by an international NGO Steering Committee.

One of the main functions of this Committee has been to prepare the dialogue sessions, which take place each April before the U.N. Commission on Sustainable Development meeting. This Committee has cooperated with the DSD in organizing these sessions, and continues to work closely with it.

#### *(b) Civil Society “going it alone” – Social Watch and the United Nations Conferences on Social Development and on Women*

The second model is that of “Social Watch”, a worldwide group of NGOs set up to monitor the progress of the Copenhagen Commitments and the Beijing Programme of Action (from the U.N. Conference on Social Development and the U.N. Women’s Conference, both held in 1995).

Social Watch has a loose structure, so that rather than being governed by an international steering group, it consists of a number of independent groups, based both in industrialized and developing countries. It is serviced by an international secretariat, which is housed in an existing NGO office. Its representatives meet at regular intervals to assess progress and discuss tactics, and periodically publish a report on countries’ progress, which is used as a tool for dialogue with governments.

## **IV. MODELS FOR THE U.N. LDC-III CONFERENCE CIVIL SOCIETY FOLLOW-UP**

Several models for follow-up action are reviewed below:

#### *(a) Civil society working under the auspices of the intergovernmental structure*

UNCTAD has drawn up a “roadmap” for national follow-up which proposes that each LDC government would set up a national Forum.<sup>52</sup> This Forum, which would be composed of government ministers, U.N. agencies and representatives of other international bodies, would meet to devise implementation for the country Programme of Action. It is important to ensure that civil

<sup>52</sup> Report of the Trade and Development Board on its 48th Session, 1-12 October 2001.

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society representatives are included in those Forums. (In fact, in some countries, moves have been made to set up follow-up systems, and civil society members have been invited to attend.)

*(b) Civil society working in parallel with the intergovernmental structure*

A second, but related possibility, is that national NGOs would work as autonomous civil society partners to these U.N. focused organizations. These NGOs would both encourage the development of civil society organizations to set up methods of implementing the national LDC programmes, and would carry out constructive dialogue with their respective governments.

These national organizations could be encouraged to meet regionally every two years, and then to participate in an international meeting of civil society organizations held as part of the mid-term review process for the LDC Conference in 2006.

At the close of the NGO Forum, NGOs set up “Civil Society LDC-III Watch” composed of representatives from each of the LDC regions to monitor follow-up. This structure could be used to offer support to the national organizations. However, the importance of this initiative is that action would be generated “from the bottom”, not from the top.

*(c) Civil society working independently of the intergovernmental structure*

The third possibility is for civil society organizations to set up independent bodies in each country to monitor the implementation of the Programme of Action, as a type of “U.N. Watch”. This structure would be more in the form of a “Social Watch”, in civil society organizations in both LDC *and* industrialized countries (which are termed “development partners” in the Programme of Action) would act as “watch dogs” to track government progress in both donor and LDC countries and to maintain pressure on both groups of countries to carry out their promises.

This would be a loose structure, as representatives from the groups would meet once or twice a year to discuss progress and produce their findings in a yearly report. The opportunity for this group to present its results at the LDC mid-term review could also be built into the intergovernmental process. Because this type of structure would need a Secretariat, the “watch” would hire services from an existing organization to act as its secretariat.

*(d) Civil society Facilitator attached to the LDC Secretariat*

One additional suggestion is that a civil society facilitator should be recruited from *outside* the existing U.N. structure with special responsibility to stimulate and ensure continued civil society involvement in the LDC process. This should obviously be someone from an LDC, with proven experience of working on the LDC process.

*(e) How would follow-up activities be financed?*

Any form of follow-up will need financial support. It is suggested that a grant be made available from the United Nations for civil society activities. Civil society organizations would then have to commit themselves to raising matching finance, either from sympathetic “Development

Partner” governments, or from international foundations.

### *V. CONCLUSION*

Many members of civil society organizations from LDCs actively participated in the Brussels Conference and were anxious to be involved in the follow-up. It would be a loss of human effort and potential if the interest and enthusiasm generated among civil society activists were lost.



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## ***CIVIL SOCIETY'S ROLE IN U.N. LDC-III PROGRAMME OF ACTION: FOLLOW-UP***

by  
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### ***I. THE BRUSSELS PROGRAMME OF ACTION***

The U.N. LDC-III Programme of Action, formulated in Brussels in May 2001, underlined that the arrangements for its Implementation, Follow-up and Monitoring and Review would have to function effectively in order to ensure success. The Programme also specified three tracks of follow-up action at: (a) the national level, (b) the regional level and (c) the global level. However, as indicated below, there is also the need for effective action within countries at the local level.

Seven commitments within this Programme (PoA) were made, as follows:

1. Fostering a people-centred policy framework.
2. Ensuring good governance at national and international levels.
3. Building human and institutional capacities.
4. Building productive capacities to make globalization work for LDCs.
5. Enhancing the role of trade in development.
6. Reducing vulnerability and protecting the environment.
7. Mobilizing financial resources.

Although the NGO Forum noted that there were some shortcomings in the PoA, it was encouraging that it recognized the role of civil society. The LDC Governments, the U.N. system and the European Union (EU), which hosted the conference, endorsed the significance of civil society involvement in the implementation of the PoA. Hence, despite the shortcomings of the document, the civil society actors need to take a proactive approach in ensuring that they participate and influence (to the extent possible) the implementation, follow-up, monitoring and review of the PoA at the national, regional and global levels as well as at the local levels.

Civil society actors should strategize to participate in the process of establishing clear mechanisms or arrangements for implementation and follow-up of the PoA. Furthermore, the NGOs will continue to air their views on issues of critical concern that were included in the list of NGO demands during the U.N. LDC-III Conference and the NGO Forum. This could broaden the understanding and possible acceptance of their demands. Issues/aspects on good governance, debt cancellation, market access, human rights, peaceful environment, increased ODA for LDCs should all be addressed. NGOs and civil society actors emphasize that the success of U.N. LDC-III hinges primarily on the human rights framework, ensuring good governance and effective transparent policies in the North and South and of the transnational corporations.

## ***II. IMPLEMENTATION AND FOLLOW-UP***

The involvement role of civil society organizations in the implementation and follow-up of the PoA can be activated at the respective levels of action indicated above, in several different ways, as follows:

### *A. Local level*

CBOs and NGOs which have local level presence or impact should seek to raise public awareness about the PoA and ensure that the respective community understands objectives and the arrangements for its implementation within the country framework. The content and monitoring of the PoA therefore has to be simplified to the level of understanding of the local poor people. NGOs, research organizations and other civil society actors should participate in the process of simplifying the PoA and making it understandable. This might call for the translation of the PoA into a local language or a language generally used by the poor people. It is considered very important to ensure that the targeted population i.e. a community of poor people, is aware of the PoA and understands its implementation arrangements. All these players should support and strengthen organizations at the local level to steer this process. The important aspects are the requirement of good governance, pursuing and/or maintaining human rights, and increasing people's participation at the local level without which the poor might be bypassed or even cheated of the benefits anticipated from the implementation of the PoA.

### *B. National level*

The Civil Society LDC-III Watch representative should, in consultation with other civil society actors, identify organizations that can carry out effective follow-up and monitoring of one or more commitments as well as the progress made on special issues of concern on the list of NGO demands. A coordinating committee should be established.

Although the respective national government will oversee the overall PoA process, the civil society actors should also identify an effective mechanism to coordinate or work with the government. This is because the government may tend to choose NGOs or civil society organizations whose representatives have "know-who" connections in the bureaucracy - a practice that is often not beneficial to civil society participation, especially for the NGO community and the wider grassroots population.

Another issue is the tendency to marginalize young civil society actors. At the national level, the civil society LDC-III Watch representatives could assist in encouraging the formation of focal points at lower levels.

### *C. Regional level*

Civil society consultation and networking about LDC-III should be encouraged. As was indicated during the NGO Forum, such meetings could be convened every two years, but this will, however, depend on the availability of funds.

#### *D. Global level*

It was explained during the NGO Forum that a mid-term review process on the outcome of the Conference and NGO Forum would be carried out in an international meeting. It is suggested here, that (depending on the availability of funds) priority should be given to reviewing activities at the local, national and regional levels.

#### *Possible arrangements at the country level*

- (a) A joint coordination mechanism involving the respective government, donor community/ development partners and civil society organizations.
- (b) Enhanced and broadened UNCTAD-Civil society collaboration at the national level/ regional levels be strengthened via focal civil society contacts.
- (c) Enhanced civil society linkages and collaboration with the efforts of other U.N. Agencies to involve young NGOs.
- (d) Civil society Watch zonal focal points established within a country.
- (e) Identification of focal NGOs or civil society actors to relate to the seven commitments and to NGO special areas of concern.
- (f) An implementation plan prepared, indicating what is to be done, how and by whom.
- (g) Financial resources should be sought to support civil society activities in implementation and follow-up.
- (h) Civil Society LDC-III Watch and related networking groups should seek to explore how other initiatives, such as the Tokyo International Conference on African Development (e.g. the planned TICAD III) and the New Partnership for Africa's Development, can address U.N. LDC-III follow-up.

### **III. CIVIL SOCIETY CAPACITY AND NEEDS**

Does the civil society at the country level have the capacity to effectively carry out or participate in the follow-up, monitoring and review of U.N. LDC-III ? The answer to this question carries a "stammering" yes. Civil society organizations at the country level generally display varying strengths and weaknesses. They also have diverse interests and may represent different constituencies. The academia and business associations are stronger in terms of human resources than are the NGOs. Nevertheless the civil society actors have the will, readiness, and commitment to reach the poor and carry out U.N. LDC-III follow-up. However, the respective government and the donor community/development partners have to ensure from the outset that:

- (a) Good governance, transparency and a human rights framework are effectively in place. Madame Mary Robinson, the U.N. High Commissioner for Human Rights, stated during the Brussels Conference that: "...the failures of previous efforts to raise the level of development of the LDCs have been, in large measure, failures of governance". Good governance embodies the recognition and application of a human rights framework in which all human rights: civil, political, economic, social, cultural and the right to development have to be addressed. This paper, however, cautions that, in the efforts to implement good governance, careful monitoring should be carried out to ensure that governance practice is not abused to stifle the Civil society involvement and influence.

- (b) Recognition is given to the need to strengthen civil society, especially the NGO sector, which is weak. This can be done through giving attention to:
  - (i) Resource development and diversification;
  - (ii) Social infrastructure;
  - (iii) Strengthening partnerships;
  - (iv) Expanding information sharing, skills transfer, best practices and enhancing consultation and feed-back mechanisms.
- (c) Identification is made of the specific obstacles at the local and national level that trap poor communities in poverty and consideration given to establishing clear pathways to empower people to escape poverty.
- (d) Pro-poor women and youth initiatives should realistically reach the intended target groups. The civil society actors need to participate in designing options and opportunities for them, and to monitor whether vulnerable groups are being reached.
- (e) Issues concerning debt relief arrangements and acquiring of new loans have to be discussed in a more transparent manner. Since the civil society actors are advocating total debt cancellation, new loans should preferably be acquired only after they have been critically appraised by a broader people's participation.

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## **ON THE IMPLEMENTATION OF THE U.N. LDC-III PROGRAMME OF ACTION**

*by*  
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### ***I. INTRODUCTION***

Some 49 countries in the world are currently termed as being Least Developed, based on a number of economic and social indicators as identified by the General Assembly of the United Nations. What this really means is that the citizens in these countries are poor in terms of quality of life; their per capita domestic income falls below US\$ 800 per annum. The health, nutrition and education achievements of their citizens are meagre. The share of manufacturing in the GDP of these countries is insignificant, and the majority of their populations are dependent on agriculture, while their per capita energy consumption is minimal. These countries are constrained by several domestic problems, such as a low level of democratic exercise, rampant corruption, irresponsible and inefficient government systems, high rates of child and maternal mortality, poverty and hunger, low levels of infrastructure development, weak information systems and inadequate human development resources.

In this context, representatives both of the LDC governments and of the international community together agreed on a commitment to improve the living conditions and overall situation of these countries through joint and concerted efforts, by making seven commitments and adopting several action programmes at the Third United Nations Conference on the LDCs held from 13 to 20 May 2001 in Brussels. As an NGO representative and a person engaged in this Conference, I would like to share the following thoughts as a contribution in the UNCTAD/Civil Society Dialogue on the broader issues of poverty, injustice and social discrimination in LDCs.

### ***II. GENERAL SUGGESTIONS FOR THE IMPLEMENTATION OF THE BRUSSELS PROGRAMME OF ACTION (PoA)<sup>53</sup>***

For implementing the PoA, the drastic situation in the LDCs requires the following:

- (a) Real partnerships (public, private and civil society/NGOs).
- (b) A holistic approach for securing integrated sustainable development that guarantees fundamental rights of the people (e.g., access to food, shelter, clothes, health, education, security, information, etc., by all).
- (c) Fair trade (due consideration for people's lives rather than profit).
- (d) Globalization which is also made to work for the sustainable development of LDCs.
- (e) Importance of people's sovereignty and country's ownership (right to self-determination).

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<sup>53</sup> Third United Nations Conference on the Least Developed Countries, Brussels, May 2001: Programme of Action.

- (f) Time-bound and result-oriented programmes.
- (g) People to be at the centre of all development endeavours.
- (h) Assurance of fundamental rights of the people.
- (i) Adherence to national and international commitments.
- (j) Cancellation of the debt.
- (k) Simultaneous and parallel implementation of the components of the PoA.
- (l) Periodic participatory objective monitoring and evaluation of the progress of the PoA.

### ***III. SPECIFIC SUGGESTIONS WITH REGARD TO THE SEVEN COMMITMENTS***

These suggestions are focused on the actions to be taken by the LDC governments and their development partners in the implementation of the Brussels Programme of Action with special reference to the seven commitments.

#### *Commitment 1: Fostering a people-centred policy framework*

Programme actions by LDCs:

- Genuine democratization of the government system at all levels (central, regional, district and village) - should be completed within five years.
- Devolution of power to local authority for systematizing the whole development process should be completed within five years.
- Ensuring access to productive resources for achieving the (agreed) minimum standard of living of all the people (for example, policy reforms, land reforms, housing reforms, economic reforms, etc.), which should be completed within five years.
- Establishing an effective and efficient institutional mechanism to ensure equitable distribution of the benefits of growth and development, focusing on the marginalized and vulnerable communities – time-bound targets must be set to guarantee the access to basic social services for all.
- Promotion of a comprehensive and efficient integrated information base should be completed within five years and systematic provisions made to upgrade this base periodically.
- LDC governments should create an enabling environment so that civil society organizations, including CBOs, could play an instrumental role in their own development.

Programme actions by development partners:

- Unconditional support to be extended to the LDCs as per the seven commitments to materialize the above actions by the LDCs.
- No imposition, but promotion and recognition of LDCs initiatives.
- Immediate genuine change in ODA policies in line with the Conference commitments.
- Creation of conducive market policies to encourage the products of LDCs in the global market (such as the EBA initiative).
- Extension of support to eradicate poverty within the time frame of the Conference.

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*Commitment 2: Good governance at national and international levels*

Unless the governance system is efficient and effective, the objectives of the PoA would be difficult to achieve, and there is every chance that these will probably remain as only a set of slogans. Therefore, the following programme actions to be taken by the various actors are suggested to realize the Conference commitments within the shortest possible time.

Programme actions by LDCs:

- Immediate re/formulation of the prevailing policies, legal instruments and institutional mechanisms to guarantee the genuine participation of the people and all other relevant stakeholders in the fight against poverty, injustice and social discrimination.
- Immediate revisions of the national laws to protect and promote all human rights of the people that are internationally recognised along the lines of the Programme of Action (paragraphe 29b). Devise human rights friendly laws and establish the rule of law to serve the marginalized and vulnerable strata of the society.
- Devise policies and develop mechanisms that ensure the genuine participation of the people at all levels so that they can lead their own development endeavour.
- Formulate policies and time-bound programmes to ensure access to and control over the productive resources, including progressive land reform and the guarantee of minimum wage rates, in both the formal and informal sectors of employment, unemployment allowances and labour standards as defined by the ILO, etc.
- Establish mechanisms to decentralize power to lower levels.
- Establish and strengthen transparent mechanisms for government procurement to discourage institutionalized corruption, bribery, money laundering, illegal transfer of funds and other illicit activities by strengthening regulatory mechanisms and effective implementation.
- Prepare and implement national/sectoral master plans in all sectors such as human resource development, environmental protection, promotion of the livelihood of the people, eradication of poverty, hunger, illiteracy, disease, etc.
- Revise policies and programmes that mandatorily incorporate gender perspectives in all spheres of political, economic and social dimensions of nation building.

Programme actions by development partners:

- Full cooperation in implementing the Programme of Action by the LDCs.
- Complete transparency of all development cooperation activities.
- Immediate policy reform within the donor governments to write off all debts of the LDCs and promote “demand driven” autonomous development in LDCs.

*Commitment 3: Building human and institutional capacities*

Programme actions by LDCs:

- Immediate formulation of time-bound and result-oriented programmes and effective

mechanisms by setting suitable indicators to be achieved in certain time intervals in relation to social service infrastructure and social service delivery; population management; education (implementation of free and compulsory education up to grade 10) and capacity enhancement training (focusing on the livelihood of the dispossessed and vulnerable communities); and health care (for all); nutrition, sanitation and social integration, etc. as envisaged in the Programme of Action (paragraphs 30 and 31). Similarly, LDCs should also develop effective social sector investment plans and a participatory “local community approach” in design, implementation and evaluation of policy and programmes on the LDC programme of actions as stipulated in paragraph 32b of the U.N. LDC-III Programme of Action.

Programme actions by development partners:

- Meaningful support programmes to implement the initiatives by the LDCs.

*Commitment 4: Building productive capacities to make globalization work for LDCs*

Programme actions by LDCs:

- Formulation of time-bound programmes substantially to increase the productive capacities of the people (especially women and vulnerable communities)
- Development/review of short-, medium- and long-term plans and programmes to improve physical infrastructure, technology, enterprise management, energy, agriculture and agro-industries, rural development and food security, etc., which are accessible to all at all times.

Programme actions by development partners:

- Revise/develop policies and programmes to support the initiatives of the LDCs in line with the PoA.

*Commitment 5: Enhancing the role of trade in development*

Programme actions by LDCs:

- Review both macroeconomic and microeconomic policies so that trade policies can contribute to national development towards poverty alleviation.
- Develop programmes to enhance the capacity in trade for limiting transmission of external shocks into domestic economy.

Programme actions by development partners:

- Ensuring market access to LDCs’ products in developed country markets.
- Immediate reduction/revision of tariff and non-tariff barriers that guarantee preferential market access for LDC products to the markets of developed countries.

*Commitment 6: Reducing vulnerability and protecting the environment*

Programme actions by LDCs:

- Formation of national programmes of action that address the broader issues of loss of



biological diversity and adverse effects of climate change which exacerbate drought, desertification and sea level rise.

Programme actions by development partners:

- Special priority to be given to LDCs in international support as well as in facilitating relevant actions as recommended in the PoA for the implementation of Agenda 21 and implementing multilateral environmental agreements to which they are parties.

*Commitment 7: Mobilizing financial resources*

- A critical review of efforts made in the past for mobilizing financial resources should be undertaken immediately.
- A policy framework that effectively contributes to enhancing a conducive national policy to promote not only faster economic growth but also sustainable integrated development should be developed with targeted goals and deadlines.

Programme actions by development partners:

- Expand immediately the HIPC initiatives and introduce total and unconditional debt cancellation measures so that the respective national revenues could be used to finance social sector investment that could play an instrumental role in alleviating poverty in LDCs.

**IV. ARRANGEMENTS FOR IMPLEMENTATION, FOLLOW-UP,  
MONITORING AND REVIEW**

These arrangements for carrying forward the Brussels PoA should include the following:

- Establishing a well-defined mechanism that could effectively monitor and follow up the implementation of the Programme of Action approved by U.N. LDC-III.
- Encouraging NGOs and other members of civil societies, such as CBOs, POs and TUs, to monitor and follow up the implementation process of the Brussels PoA.
- Developing a participatory and inclusive process for the follow-up of U.N. LDC-III's commitments, where various members of CSOs could forge alliances at various levels (national, regional and international) to work as pressure groups.
- Providing logistical support to CSOs and creating an enabling environment where CSOs could play an instrumental role in the entire process of implementation of the Programme of Action, should be an important task of the LDCs and development partners.

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## **A CONTRIBUTION OF CONGAF FOLLOWING THE UNCTAD-CIVIL SOCIETY DIALOGUE**

*by*

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### ***I. INTRODUCTION***

The Coordination of African NGOs on Human Rights (CONGAF) greatly appreciated the enlightening information which was provided during the Dialogue by the UNCTAD Secretariat, beginning with Mr Rubens Ricupero, the Secretary-General. The activities of UNCTAD then described by successive speakers, in particular those concerning the access of developing countries to international markets, the flow of investments towards those countries (especially as FDI), the negotiation of investment agreements with UNCTAD support and the technical assistance provided in all those areas, opened important perspectives in a world situation, which is generally difficult for developing countries in the context of the globalization process, in spite of the hopes that it creates. This was well emphasized by the information and statistics provided by UNCTAD, as well as by the representatives of civil society.

CONGAF also appreciated the increasing attention given to the views and proposals of civil society by UNCTAD, as evidenced by its participation in the Conference in Bangkok (UNCTAD X) and in the Brussels U.N. LDC-III Conference, and in particular the role which UNCTAD intends to play in the implementation of the respective programmes of action adopted in these meetings. Unfortunately, CONGAF was not able to attend these meetings, but was pleased to participate in this Dialogue in Geneva, which is closer to the main focus of its activities and, to our knowledge, where this degree of civil society participation occurred for the first time in an UNCTAD event.

### ***II. ECONOMIC REMEDIES***

During the Dialogue CONGAF drew attention to a Memorandum, which it has developed and which constitutes its founding document, in particular to the part of it devoted to "Economic remedies". This part stresses the paradoxical situation of Africa, a huge provider of raw materials to other continents, and especially to developed countries, but which at the same time suffers from great poverty, and appears to have the bleakest economic prospects. CONGAF stresses that the poverty and difficult prospects of the African continent are to a large extent the effect of the low prices paid for its products and the work of its people. By way of illustration, its representative quoted a striking example derived from the tea trade. The tea produced in East Africa is bought by consumers in many developed countries, with limited variations, at prices some two hundred times what the tea farmer receives for producing a given quantity of tea. Furthermore, the situation in the world coffee trade is not very different from that of tea, while the same cost/price imbalances also occur, to a greater or lesser degree, in the case of many other African products. This is especially true of raw materials, which economically are more important than tea (some even of strategic importance) like wood, phosphates, iron ore, bauxite, copper ore, uranium (vital in the field of energy), chrome and vanadium etc.

During the Dialogue, CONGAF also recalled in this respect the past role of UNCTAD concerning commodities, which was so important in the 1970s and 1980s, especially under the leadership of Raul Prebisch. A role which culminated at the UNCTAD IV Conference, held in Nairobi in 1976, with the adoption of the Integrated Programme for Commodities, followed by the creation of the Special Fund for such commodities. Representatives of UNCTAD, especially Mr Fortin, the Deputy Secretary-General, and Mr Megzari, Officer-in-Charge of UNCTAD's Division on International Trade and Commodities, also referred to this important role of UNCTAD and to its close link to its original vocation. CONGAF noted that unfortunately, particularly in the last decade and generally for an even longer period, the trend towards liberalization has cast aside the results of previous negotiations undertaken and the mechanisms designed in the commodity area, and today such concerns receive much less attention, if not now thought of as being obsolete and belonging too much to the past.

Some favourable prospects still persist concerning the improvement of the prices of commodities produced by developing countries. In this respect, CONGAF referred to an African Economic Forum, which was held in Vevey, Switzerland, from 29 to 31 May 2001, with the participation of international and national institutions, the private sector and NGOs. At this Forum, Nestlé, a well-known transnational company which has an important branch of its activities in Africa, based in Abidjan, indicated that, for its procurement of food raw materials in Africa it had concluded arrangements with a number of local cooperatives. These arrangements guarantee stable and advantageous prices to the members of those cooperatives. In addition, it provides its African personnel with medical insurance, a rare feature in Africa.

### III. UNCTAD / CIVIL SOCIETY COOPERATION

The above stated example illustrates the part that civil society can play with regard to the concerns of UNCTAD, and provides another justification for the closer links that UNCTAD is establishing with civil society. This example was food for thought concerning methods likely to improve the commodity trading situation of the developing countries, but other methods would also need to be examined more thoroughly on the basis of past economic experience and taking into account the new international context, including technological advances such as economic modelling.

CONGAF also expressed the hope that the future consultations planned between UNCTAD and civil society would open practical and fruitful avenues in this regard. In spite of the enormous interest in these matters, during the Dialogue the time was lacking in which to outline such methods and relate them well to UNCTAD's experience and knowledge. The issue of raw materials was particularly relevant to LDCs, with reference, of course, to the Brussels Conference. In spite of their poverty and low statistical level of economic and human development, these countries are big producers of raw materials, very useful *inter alia* to the energy, metal and automobile industries of Europe. In this respect CONGAF referred particularly to the Sahelian countries.

CONGAF, which has many member NGOs and affiliates in Africa and even elsewhere, and a secretariat located in Geneva, also drew attention to some aspects of European reactions to prospects for implementing the access to markets and investment agreements (issues central to UNCTAD's assistance). It also distinguished areas which should be relatively accessible and others where there is strong opposition of public opinion, and consequently of politicians, even if they wish to sound positive when participating in international fora. CONGAF also mentioned, as an example, the prospects offered by out-of-season and exotic fruit and vegetable products from East Africa, which are at present spreading to other parts of the continent. In this product area sizeable

investments have also come from abroad, especially as some producers from Europe have diversified and extended their production to African countries. CONGAF also cited an industrial example, concerning the production of rubber tyres, as being of interest especially to countries with economies in transition.

#### ***IV. CONCLUSION***

The Dialogue was useful and inspiring and its content elicited close attention and a lively exchange among participants, who expressed converging concerns. CONGAF is looking forward to the continuation and strengthening of such useful contacts with an organization as vital as UNCTAD for the future of the developing world, and especially of Africa.

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## **CIVIL SOCIETY, LOCAL DEVELOPMENT AND GLOBALIZATION: A GRASS ROOTS VIEW**

**Report of a Seminar held in Addis Ababa, Ethiopia, October 2001<sup>54</sup>**

by  
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### ***I. INTRODUCTION***

Within the framework of the follow-up of the Third United Nations Conference on the Least Developed Countries, held in Brussels, May 2001, a Seminar was organized by Centre Lebret,<sup>55</sup> a faith-based non-governmental organization with headquarters in France, with the financial support and active participation of UNCTAD and ILO, and in cooperation with the United Nations Economic Commission for Africa (ECA). This Seminar took place in Addis Ababa from 28 to 30 October 2001. It constituted an opportunity for engaging in a constructive dialogue with civil society organizations mainly from African LDCs, with the aim of promoting a way forward for implementing the recommendations of the Programme of Action adopted at the Brussels Conference.

#### ***A. Organization of the Seminar***

The Seminar was organized as a 3-day event accompanied by various formal and informal exchanges between civil society actors and representatives of international organizations. Some 29 participants, representing various civil society organizations drawn from 21 countries, 17 of which were African, one Asian, one Middle Eastern and two European, attended this event. They were associated with the international movement "Développement & Civilisations" (MIDEC), the outcome of a partnership between Centre Lebret and the Institut International de Recherche et de Formation, Education et Développement (IRFED). Representatives of Centre Lebret, ILO, U.N. ECA and UNCTAD also participated actively in the Seminar.

#### ***B. Structure and introductory features of the Seminar***

In an introductory session the civil society participants introduced themselves and their organizations, and expressed their expectations from the work of the Seminar. The emphasis in these presentations was basically placed upon the socio-economic environment in which they were living and working, and on the difference which civil society makes with respect to the alleviation of poverty in LDCs. In this context, they stressed the importance of the work being undertaken by international organizations such as UNCTAD and ILO.

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<sup>54</sup> This paper was prepared by Levan Bouadze, Frederick Glover and Jean-Claude Zanga on the basis of the official report of the Seminar.

<sup>55</sup> The Centre Lebret, inspired from its beginning by the ideas of Louis-Joseph Lebret, is primarily a religious institution, which has been actively engaged for some years in various activities related to its continuing concern with issues of globalization and economic/social development. In this connection, it maintains a widespread contact with other NGOs and religious organizations in furthering its ideals and work programme.

The ECA representatives welcomed the participants to the Seminar and opened the event with an official statement reaffirming the important role which ECA attached to civil society. This statement also described the nature and extent of the African Centre for Women.

The Director of ILO's Infocus Programme presented a review of the ILO Programme on Socio-Economic Security, describing both the academic and the practical work of this Programme in the field of socio-economic security. It was emphasized that the aim of ILO in this Programme was to remove human vulnerabilities and expand the notion of social security ranging from "basic securities" such as food security to more complex forms of security, such as occupational, as part of ILO's wider development perspective contained in its concept of *decent work*. It was possible to ensure a somewhat more equal distribution of resources globally in order to remove inequalities in the consumption of basic goods and services necessities and to ensure that human beings pursued a dignified life. The ILO representative also emphasized the importance of civil society in the current debate on social security, while at the same time underlining the existence of various forms of civil society groups that may also represent diverse powerful groups both in government and in the private sector.

UNCTAD's initial presentation centred mainly on a paper prepared by CSO, entitled "LDCs: The Role of UNCTAD", which was made available to the participants before the Seminar. The UNCTAD representatives focused their attention on creating an understanding at the level of civil society groups on how international organizations such as UNCTAD, function, while the Civil Society Outreach (CSO) staff used their opening statement in order to initiate a dialogue with the various civil society actors present at the Seminar. First, it was emphasized that UNCTAD was an institution acting as a focal point in the U.N. system on issues of trade and development, and the distinction was drawn between UNCTAD as a forum for Member States in the discussion of trade for development issues, and the World Trade Organization (WTO) functioning as an organization to enforce established trade agreements and to facilitate further agreements. Second, it was also explained that there were several technical assistance programmes/projects of UNCTAD implemented with the aim of enhancing the capacity of Member States to actively and constructively engage in international trade negotiations.

Finally, the participants were informed that UNCTAD had been coordinating the LDC programme in the United Nations System on the understanding that trade was a tool for development. Recent experiences at the U.N. LDC-III Conference were also shared and a short presentation of the adopted Brussels Programme of Action was provided.

### *C. The general Seminar discussions*

In the ensuing general discussions, civil society participants mainly expressed their interest in the extent to which international organizations were open to their sustained participation in their activities and also how such involvement could be effectively realized. The response provided by ILO was positive: civil society organizations' participation in the InFocus Programme involved their cooperation in undertaking various surveys and studies. UNCTAD also made it clear that it was as open to civil society participation as it could be, given the intergovernmental nature of its organization. In this light, participants were told that NGOs could participate in UNCTAD's activities through a consultative status mechanism, as well as through other ad hoc modalities, such as at the recently held U.N. LDC-III Conference serviced by the UNCTAD secretariat, and where 400 non-status NGO's with almost 600 participants, representing 10 per cent of those persons participating in the Conference, had been mobilized and especially accredited.

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## **II. MAIN THEMES OF THE SEMINAR**

Four specific themes were selected for discussion during the Seminar session as follows: (i) local development and struggle against poverty; (ii) producers, markets and micro-credits; the upraise of civil society and its strengthening; and reconciliation-diaspora. The dialogues developed during these respective thematic sessions are briefly summarized below.

### *A. Local development and struggle against poverty*

The participants shared their experiences on the issues of local development and explained how they were in constant search for ways and means to alleviate poverty. Some success stories were presented, although it was apparent that such initiatives often represented isolated cases and could not be generalized in a wider context in the absence of structures supporting policies and mechanisms at the macro-level. However, such experiences could be considered as an awakening of civil society groups representing grass roots concerns, determined to take their destiny into their own hands and to change their life for the better.

### *B. Producers, markets and micro-credits*

As a conceptual framework for this discussion theme, the representative of the Centre Lebret proposed the acceptance of a working hypothesis expressed as: “Yes to a market economy. No to a market society.” Some participants representing micro-credit schemes or familiar with how such schemes worked in their respective countries shared their experiences. Some schemes, especially in Ethiopia, Madagascar and Uganda, were presented as success stories, although it appeared that they operated in a rather non-natural environment and rested on an outstanding leadership, thus remaining vulnerable to shifts in national and international movement of prices. While acknowledging the merits of micro-credit schemes in alleviating pockets of poverty, some participants warned of overestimating their development potential, as such schemes could not provide a nationwide solution to the problems of poverty unless there was a proper and flexible financial system in place.

### *C. The upraise of civil society and its strengthening*

The discussion centred on the role of civil society and where it should be placed in activities aimed at development. The majority of participants were not satisfied by the status of their organizations in their respective countries, as this meant being mostly local actors with little or no influence on national policy-making. Some proposals were made on what a proper NGO should be and what aims and objectives it should pursue, and a discussion took place on whether civil society actors should be more unified in their dealing with their own governments or international organizations to advance their goals. In this context, some experiences of active cooperation between NGOs and local authorities were presented, such as that of Lubumbashi in managing that city’s affairs, and it was indeed illuminating to see the power which effective partnership and cooperation could generate.

#### *D. Reconciliation – Diaspora*

The great majority of participants were drawn from countries currently (or in a very recent past) involved in a war situation. In some of these countries peace was still fragile and much work needed to be done to ensure reconciliation, a necessary condition for laying the ground for effective development work. Civil society actors felt that they had an important role to play in ensuring the development of harmonious societies, and some of their interventions accentuating the role of tolerance and spirituality for building peace and prosperity were particularly well received. The profound debate on this issue displayed a sense of humility and a wisdom rarely found in events of this kind, which was consonant with the rich human content of the whole Seminar.

### **III. RESULTS**

The main views and conclusions reached at the close of the Seminar may be summarized as follows:

#### *A. Globalization and human development*

There was agreement that globalization had to be accepted as a fact which cannot be ignored without running the risk of economic and social paralysis. However, as currently operating, the globalization process had mostly negative effects around the world, and especially in African countries. The main reason being that this process is reducing the human being to his economic component, considering him only as a producer and consumer, ultimately as a mere commodity.

There was also clear agreement for endorsing the idea expressed by Louis-Joseph Lebret some 50 years ago that, “Human development means both the development of every human being and the development of the whole human being.” “Every human being” refers to all social groups, particularly those affected by extreme poverty, exclusion, exploitation and insecurity, and it applies to people living in all countries in the world, especially the LDCs. “The whole human being” meaning that development should take into account not only the economic but also social and political aspects, as well as cultural identities and intellectual and spiritual dimensions of the human condition. As a consequence, the “conscientisation” of actors at all levels should be a major component of every development project.

#### *B. The complexity of development projects and need for development policies*

Detailed descriptions of a number of specific projects presented to the Seminar showed that most of them were of a complex nature, “polyvalent” as qualified by a participant. The variety and complexity of the projects presented also reflected the attention given to the conditions faced by the operators themselves. It was concluded that there was no “quick fix” in development issues and therefore analysis showed that respect of local identity, attention to details and process, and giving the power of decision to the people themselves, were the real keys to success.

A similar analysis also showed that local development had its limits: A thousand small projects do not make development in themselves. It was agreed therefore that good policies are needed, but designing global development strategies and policies was not the purpose of the Seminar. However, there was certainly a broad agreement that structural adjustment policies, as implemented during the last twenty years, were not “good policies” for developing countries, and certainly not for LDCs. In



general, such policies had been negative and in some cases disastrous in their impact. It was absurd, for instance, to expect meaningful competitive performance in the world market by those countries where small farmers at subsistence level constituted 60 to 80 per cent of the working population.

The conception and implementation of adequate agriculture policies were accepted as being a major priority, but African countries should not expect agricultural development to be an automatic outcome of free market competition. Therefore, they should follow the example of the developed countries (and some developing ones, like South Korea), where agricultural development resulted from strong government policies (often fixed prices of products and inputs, market regulations, control of imports and publicly financed research programmes). Following the example of the European Union's Common Agricultural Policy should be a strategy to be adopted by groups of countries, as already requested from their respective governments by various Farmers' Associations in West African countries.

Sound agricultural policies were important since they condition the subsistence and income growth of small farmers who constitute the majority of LDCs populations. In addition, such policies are a prerequisite to any attempt to eliminate malnutrition and achieve food security. The concept of "food sovereignty" should therefore be recognized as applicable to LDCs and accepted by WTO as an exception to the full liberalization of food products.

With regard to policies aiming at eradicating extreme poverty, many positive references were made to the ILO programme of socio-economic security. It was concluded that the implementation of national policies of income security would be a strong incentive for the multiplication of local projects involving the poorest sectors of the population.

### *C. Institutional aspects*

In reviewing some of the projects presented to the Seminar it was considered that a key to success was to combine a full reliance on local initiatives at grass roots level with the presence of strong and democratic political institutions. The presentation by the mayor of the city of Lubumbashi was most impressive in this respect. The same conclusion was reached regarding projects in Mozambique where local activities had led eventually to some involvement of civil society actors in the preparation of municipal elections.

It was generally accepted that the NGO's seemed to have a better understanding of the situation prevailing at the grass roots level in their respective countries, and consequently they were more able to express the real needs of the people, but they were not immune from their own limitations and ambiguities. It was recognized that the common denomination "NGOs" covers a very wide range of varied institutions, from those devoted to relief and assistance operations to those aiming deliberately at a fundamental change of society.

The balance of power could be influenced through international norms, as was demonstrated in the broad field of labour through norms adopted by ILO and, in the case of improving women's participation in paid work through the impact of the declarations and programmes of action adopted by international conferences, for example, the U.N. Beijing Conference. Therefore, it was essential to associate civil society actors, especially the trade unions and concerned NGOs, in the discussion, definition and establishment of such norms.

#### *D. Peace and development*

Many conflicts have ravaged Africa since the 1960s and consideration of examples of conflict in countries outside of Africa, such as Lebanon, served to show that the aims both of implementing local development and of promoting reconciliation between conflicting communities could fruitfully be pursued together. The restoration of the social fabric in war torn countries, called for the realization of a variety of programmes specifically focused on progressing towards reconciliation, through following methodologies of mutual acceptance and memory reconstruction.

#### *E. Follow-up action recommended*

A number of participants stated that they had learned much during the Seminar that could be immediately useful in implementing given projects currently in operation, while some of them indicated that they were now contemplating the development of new projects as a result of the stimulus of the Seminar discussions. There was also agreement on using the information and experience gained during this event to create local networks in the respective countries in order to disseminate more widely the Seminar results.

The ILO representative stated that the ILO would intensify efforts to accelerate its programme of household surveys on socio-economic security at the country level, the results of which would provide important components of a final document to be, entitled Global Report on Security 2000-2001. Some Seminar participants offered to send voluntarily and promptly some substantive contributions to be included appropriately in this Global Report.

The president of the Centre Lebret proposed that the discussion of some major issues raised at the Seminar should be further pursued by the participants through the circulation of documents, particularly via e-mail, and that working discussion groups could be set up to deal with a number of main topics. As a result, three such groups were created for a possible first round of discussions as follows:

- (a) *Microprojects and local development policies.* To examine how current activities in local development were in harmony or in competition with prevailing policy measures at national and international levels, especially focusing on subsistence farmers, micro credits and local projects dealing with poverty alleviation, social services, training and conscientisation, women's and children's self-help programmes and various municipal activities.
- (b) *Legitimacy and representativity.* To discuss institutional problems of developing countries.
- (c) *Spirituality and identity.* To address aspirations for a more precise definition of human development and to discuss spiritual values and methods aiming at overcoming conflict and enhancing reconciliation.

### **IV. CONCLUSION**

At the close of the seminar, there was a strongly expressed will for the need to develop more working partnerships between governments and civil society and within civil society at all levels in the LDCs, and the Seminar was considered to have been a positive and useful activity that should be repeated from time to time. The civil society representatives contributed freely and constructively to the discussions and clearly benefited from the opportunities available for exchanging information,

views and opinions. This result augurs well for the future commitment and contribution of civil society in these countries within the context of the proposed national programmes of action as set out in the Brussels Declaration of the recent U.N. LDC-III Conference.

*PART II*

*B. Views of international civil society organizations on trade and development issues*

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# THE NEW CYCLE OF WTO TRADE NEGOTIATIONS AS AN OPPORTUNITY TO FULFIL PROMISES MADE AT THE U.N. LDC-III CONFERENCE: THE VIEW OF OXFAM INTERNATIONAL

by  
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## I. INTRODUCTION

International trade can be a forceful tool for poverty reduction by overcoming local, national, and regional scarcity, and by creating livelihoods and employment opportunities. However, rich countries and powerful corporations capture a disproportionate share of the benefits of trade, while developing countries and poor men and women are been left behind. As pointed out at the Third U.N. Conference on the LDCs, and based on data as of 1998, the poorest countries in the world obtain a mere 0.4 per cent of world trade flows. This is largely due to the fact that world trade rules have been developed by the powerful on the basis of narrow commercial interests. Governments and companies which often loudly preach the virtues of free trade are among those practicing protectionism when it suits them.

## II. THE RESULTS OF THE U.N. LDC-III CONFERENCE AND OF THE DOHA MINISTERIAL MEETING FOR LDCs

The Third LDC Conference, held in Brussels in May 2001, with the goal to “make progress towards the global goals of poverty eradication, peace and development for the Least Developed Countries and their people” produced a Programme of Action (PoA) aimed *inter alia* at enhancing the role of trade in development. The swift implementation of the Programme would represent an important step towards poverty reduction in this new Millennium. The new cycle of trade negotiations at the WTO, launched in Doha, provides an important opportunity to do so by integrating the LDCs more fully into the world trade system through additional market access, special and differential Treatment and technical assistance.

But this integration must be done in a manner conducive to poverty reduction and sustainable development. Trade, and trade liberalization as a means of promoting trade, is not a panacea for fighting poverty any more than is protectionism. Trade policies, rules, and institutions should be devised and judged on the basis of their contribution to poverty reduction, respect for human rights, and environmental sustainability.

The Doha Declaration clearly states that the WTO work programme will build on commitments made at past WTO Ministerial meetings and at the U.N. LDC-III Conference.<sup>56</sup> In many of its provisions, the text of the Declaration reiterates the importance of making special and differential Treatment for developing countries, and especially for LDCs, an integral part of WTO agreements. This strong commitment provides a real chance to ensure that WTO agreements are compatible with the development needs of LDCs.

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<sup>56</sup> See “Ministerial Declaration adopted on 14 November 2001” in WTO document: WT/MIN (01)/DEC/2001.

Nevertheless, the Doha Final Declaration falls short of the expectations expressed by governments of LDC countries at their Ministers' trade meeting in Zanzibar, in July 2001. The Zanzibar Declaration echoed many of the commitments made in the PoA of the U.N. LDC-III Conference, and called upon the WTO Ministerial Conference, among other elements, to agree upon:

- A binding commitment on duty free and quota free market access for all products from LDCs on a secure long-term and predictable basis, with realistic and flexible Rules of Origin to match the industrial capacity of LDCs;
- A binding and full implementation of the provisions of Special and Differential Treatment including their adoption of new Special and Differential Measures to take into account problems encountered by LDCs in implementation;
- A future WTO work programme manageable in scope and size and agreed by all WTO Members by consensus and future negotiations based on an agenda accommodating LDC interests;
- Meaningful support from development partners to provide assistance to upgrade the LDCs' trade-related infrastructure, cancel debts and strengthen UNCTAD's technical assistance and capacity building programmes on multilateral trade negotiation issues.

### **III. THE ISSUE OF MARKET ACCESS FOR LDCs**

Improved market access opportunities could help reverse the relentless marginalization of LDCs in international trade. Providing tariff and quota free access for all products exported from LDCs currently facing tariff peaks in these countries would generate an annual 11 per cent increase in total LDC exports.<sup>57</sup>

Despite repeated commitments, industrialized countries have failed so far to provide full market access for goods exported from LDCs. The new cycle of WTO negotiations provides a great opportunity to fulfill this commitment. In its article 42, the Doha Declaration reiterates the commitment of WTO Members to provide duty-free and quota-free market access for products originating from LDCs. To show that the "Doha development agenda" is not purely rhetorical, Quad countries must turn this political commitment into reality right at the onset of negotiations by providing specific modalities and a clear timetable for duty-free and quota-free market access for LDCs.<sup>58</sup>

As of today, only New Zealand has fully opened its markets to all products exported by the LDCs. The European Union has made significant progress towards achieving this goal through the 'Everything But Arms' (EBA) initiative. Unfortunately, this initiative, originally intended to provide free market access for all non-military exports from LDCs, delays free market access for up to eight years for three crucial products in which some LDCs have a comparative advantage (rice, sugar and bananas). Moreover, the EBA still provides for stringent and complicated rules of origin. Similarly, SPS rules of the European Union and the way they are implemented continues to threaten the security and predictability of the market access granted to LDCs. In countries where access to financing is expensive and limited, such risk reduces, sometimes to zero, the actual capacity of LDCs to make use of granted market access.

Other OECD countries are even further behind and, for example, the United States Africa

<sup>57</sup> See Hoekman, B., Ng, F., and Olarreaga, M, 2001. *Eliminating excessive tariffs on exports of least developed countries*. Washington, D.C.: World Bank, Development Research Group.

<sup>58</sup> The Quad countries are Canada, the European Union, Japan and the United States.

Growth and Opportunity Act (AGOA) does not provide across-the-board free market access for LDC products. First, as its name indicates, this initiative only benefits African LDCs. Moreover, it excludes sensitive products and places various investment and trade-related conditionalities on countries wishing to become eligible for benefits.

#### ***IV. IMPLEMENTING SPECIAL AND DIFFERENTIAL TREATMENT FOR LDCs***

The WTO membership includes countries at very different levels of development, with different development needs. This is why there is a need for Special and Differential Treatment, which provides for positive discrimination in the rules in support of developing countries. Special and Differential Treatment must guarantee the right of governments of developing countries to devise and implement national strategies for development, poverty reduction, the promotion of human rights, and environmental sustainability. The Doha Declaration makes a clear commitment towards strengthening Special and Differential Treatment provisions and rendering them more precise, effective and operational in the course of the upcoming negotiations.

In the case of the agricultural negotiations, the Doha Declaration states that Special and Differential Treatment should allow developing countries effectively to take into account their development needs including food security and rural development. To this effect, a “development box” should be introduced in the new Agreement on Agriculture. Such a box would enable developing countries, and especially LDCs, to maintain flexibility in using subsidies, tariffs and quotas to protect the livelihoods of small farmers and the production of food security crops when faced with a surge of imports. This development box should be agreed upon as an “early harvest” measure, to counter the disastrous effects of massive subsidies supporting exports of the European Union and the United States.

Moreover, negotiations should tackle constraints posed by the Bretton Woods institutions on LDCs which effectively limit their capacity to make use of existing and future flexibilities within WTO agreements. While some LDCs may have high bound tariffs under existing WTO agreements, conditionalities under structural adjustment loans effectively reduce their tariffs to much lower levels. Such constraints unduly limit the capacity of LDCs to make use of Special and Differential Treatment provisions with regards to tariffs on agricultural and industrial goods.

Finally, the Doha Declaration instructs the WTO Committee on Trade and Development to make clear recommendations by July 2002 to the WTO General Council on mechanisms to make existing Special and Differential Treatment provisions mandatory (article 12 of the decision on implementation-related issues and concerns)<sup>59</sup>. In this context, it is important to explore effective monitoring and implementation mechanisms via trade policy reviews and the Dispute Settlement Body.

#### ***V. THE QUESTION OF A MANAGEABLE WORK PROGRAMME FOR LDCs AND UNCTAD's ROLE***

The demand of LDCs to have a manageable work programme was thoroughly ignored in Doha. In fact, the new cycle of trade negotiations, covers nine issues in total, ranging from agriculture to the environment. Additions to the existing agenda include the environment, industrial tariffs,

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<sup>59</sup> WTO Ministerial Declaration. Decision on Implementation-related issues and concerns. WT/MIN(01)/DEC/17, 20 November 2001.

investment, competition, procurement and trade facilitation. The Doha Declaration also mandates discussions with several other institutions and establishes a new trade negotiations committee.

LDCs, many of which do not have permanent representation in Geneva, will not be able to keep up with all these additional issues for negotiation and run the risk of having to make commitments at the end of the new cycle of trade negotiations, without knowing what impact they would have on their economies. Given the TRIPS precedent, this is a cause for major concern. To remedy this adverse situation, the soon to be established Trade Negotiation Committee (TNC) must take into account the specific problems faced by LDCs in conducting broad trade negotiations by providing a transparent and manageable framework that allows LDCs to make the best use of their limited human and financial resources.

Moreover, LDC governments and negotiators must be given adequate technical assistance during upcoming negotiations. To this effect, UNCTAD, an institution whose objectivity and knowledge of development issues are clearly established, should be further strengthened in order to adequately provide LDCs with the assistance needed. Finally, it is crucial to allow for studies of the impact on poverty and sustainable development of any new commitments by LDCs to reduce trade barriers coming under consideration in the negotiations. These impact studies must be conducted, and their results taken into account, prior to the conclusion of any new WTO agreements.

Despite the opposition of LDCs, it was agreed to start negotiations by 2003 on investment, competition, procurement and trade facilitation. However, India's rearguard action ensured a loophole for indefinite postponement of negotiations. The challenge is now to ensure that developing countries, including LDCs, can effectively assess whether negotiations would be in their interest and, if needed, seek to postpone the proposed negotiations.

## ***VI. CONCLUSION***

The new cycle of trade negotiations would provide an important opportunity to fulfil promises made at the U.N. LDC-III Conference towards enhancing the role of trade in poverty reduction and sustainable development. This opportunity to make trade work for the poor should not be squandered by the narrow commercial interests of rich countries. Such a failure to give the LDCs a place in the world trading system commensurate with their development needs would not only threaten the legitimacy of the world trade system but also break the promises made to halve world poverty by 2015.



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# WHAT CAN CIVIL SOCIETY DO? A PARTIAL EVALUATION OF THE RESULTS OF THE U.N. LDC-III CONFERENCE

by  
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## ***I. INTRODUCTION***

A few months after the close of the Third United Nations Conference on the Least Developed Countries (LDCs), it is time to evaluate its outcome. An assessment of the Conference results and the follow-up actions to be taken is necessary to provide these countries and their populations, which unfortunately belong among the most excluded of the world's peoples, to glimpse a possible future improvement in their living conditions. This Conference gave us all an opportunity to reopen the debate on the follow-up of earlier official programmes of action in favour of LDC development and on the fulfillment of the commitments made. Clear and blunt answers were expected from this and earlier LDC Conferences on the future economic and social progress of the members of the excluded LDC "club", answers promising action that cannot wait, because populations are unable physically and ethically to accept more sacrifices and suffering.

## ***II. OBSERVATIONS ON THE CONFERENCE RESULTS***

Some solutions are to be found in the Brussels Programme of Action adopted by the Conference. Progress is perceptible, for example, as regards international aid (more significant, untied, more transparent and better coordinated). Women's rights have also been enhanced in order to enable them to function better as strategic development actors. As far as access to international markets is concerned, the initiative of the European Union described as "Everything But Arms" (EBA) was also a positive step forward. Nonetheless, these improvements are still not adequate and remain marred by constraints and restrictions.

Yet, the logic of this Programme of Action does not seem to dissociate itself from the approach taken during previous LDC Conferences. More progress in economic growth still appears to be the key objective to ensure a real sustainable human development in the LDCs through a better integration of these countries into the international market and trading system. Improved market access seems to be the answer and, in particular, to attract investment and develop trade. Regional integration alone has not been taken into account as a means to reinforce the LDCs negotiation power and to ensure them a better defence and advocacy of their interests on the international scene, but it has been considered in order to create economies of scale and to increase the value added of production in order with the objective to make the LDCs more attractive to foreign investors. In sum, the U.N. LDC-III recipes seem to be: (a) to create a steady macroeconomic framework; (b) to develop a favourable legislative and regulatory framework; (c) to develop adequate institutional, material and social infrastructures; and (d) to make the private sector more dynamic. Trade and private investments, in particular, are necessary, but only if they are based on people's best interests and respectful of human rights.

The debate on the debt issue was one of the principal stumbling blocks during the Conference and did not result in many new initiatives. The conclusion called for a reinforcement of the HIPC initiative, which is not enough to break the debt deadlock, and thus needs to be revised. The LDC populations strongly hoped to hear statements that would lead to a substantial debt cancellation; unfortunately, these did not materialize.

The public sector's role in the fight against poverty was not underlined enough in the Conference. Many public services are privatized and the role of the State has become secondary, except to ensure a basic minimum coverage for some services and for those services extended to the most deprived persons in the LDCs.

In this LDC Conference, the question of development aid was positively dealt with. Promises to increase this aid were made almost unanimously, but these will only be fine words if they are not implemented. It is worth recalling that the LDC II Conference in 1991 put this issue on its agenda, but since then the flow of international aid has been significantly reduced. Governments have failed to keep their promises, while each year millions of people die in the LDCs because of poverty and marginalization; there has been a total lack of solidarity on this issue.

### ***III. THE PAUCITY OF SPECIFIC MEASURES***

The aim of this Conference was to agree on concrete measures to cut by a half the existence of extreme poverty by 2015. This aim is noble and concrete with a precise deadline. Unfortunately, solutions now proposed are limited compared to what is at stake. The deadlines specified during the previous LDC Conferences have eventually not been respected. Employment, a crucial requirement to allow thousands of people to live with dignity and to break out of the deadlock of poverty and precariousness, was dealt with in the Conference debates but not in the letter of the agreements made. Despite the fact that several organizations defended this aspect and that the ILO representatives presented its deliverables, Commitment 3 on the promotion of human resources made only token references to decent work and only a passing mention was made of the Declaration on Fundamental Principles and Rights At Work. Governments barely referred to the role played by multinational companies with regard to the promotion of employment or to their obligation to respect workers' basic rights.

Binding decisions in the texts under review by the Conference were replaced by a vague terminology and few governments made really strong declarations that included promises showing a real solidarity towards LDCs. Most of the delegations considered by LDCs as development partners arrived in Brussels with not much room to manoeuvre to negotiate the agreements necessary to move the LDCs out of their current deadlock. The European Union put forward their EBA initiative, while the United States had already adopted, several months earlier, the African Growth and Opportunity Act initiative and did not have much new to suggest. They insisted on a wider LDCs openness to markets and on their integration in a global world. Some other countries signed a number of bilateral investment treaties. Nevertheless, the issue of extreme poverty was not subjected to serious discussion.

Even if many have described it as the "Conference of the last chance", the LDC-III Conference took place at a turning point between, on the one hand, the Social Summit (June 2000) and the Millennium Summit (September 2000) and, on the other hand, the WTO Ministerial Conference (Doha, November 2001) and the Financing for Development Conference (Monterrey, March 2002). We must hope that in the future important concessions will be achieved in favour of LDCs, especially in Mexico. This optimism does not alter the fact that the LDCs are increasingly being left

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behind and that their future prospects are not very bright. There are now 49 such countries, counting Senegal. The Congo and Ghana are also already qualified to join the LDC category. Unfortunately, because of their social and economic indicators, other countries are cornered at the gates of the LDC category and, of course, the living and working conditions of their populations are unsustainable.

#### *IV. WHAT CAN CIVIL SOCIETY DO ?*

Good results from this U.N. LDC-III Conference were desperately needed. Without them we can meet together within ten years to produce an assessment showing that the attempts to improve the economic and social situation of LDCs have failed again. The LDCs cannot wait ten more years nor can they make any grater concessions and sacrifices. Solutions to their problems are necessary now.

Following this Conference, Social Alert took immediate action to follow-up on its results. A circular letter was sent to every member of our network and to the partner organizations in the LDCs. This letter consisted of a questionnaire to assess the situation in every country and all of the organizations contacted received a copy of the Brussels Programme of Action negotiated by their respective country representatives. In fact, we believed that it was important to make the specific provisions of this Programme, which are strategic in the future national planning of LDCs, known among the civil society organizations. Their content is decisive for LDC populations, hence the need for local strategic actors to be fully informed about them.

A partial assessment has to be undertaken on the basis of the contributions to be received from the organizations contacted. This aims to highlight the progress made and also the weaknesses of the Conference, as well as to evaluate the degree of awareness and the specific content of the national programmes of action. The results of this assessment will then be communicated to all the participants in the network.

Following the awareness-raising campaign carried out by Social Alert within its network, a workshop was organized in Lomé, Togo in December 2001. It focused on the reality of African LDCs and aimed at raising the awareness of participants (trade union leaders of the different countries), of the U.N. LDC-III Conference and the global and national plans of action. The conclusions of this workshop indicated once again that, in spite of the participative approach adopted, the civil society organizations in these LDCs are neither aware of the initiatives taken by the representatives of their respective LDC country, nor of the debates and decisions taken at the Brussels Conference. This encourages us to reinforce training and awareness campaigns even more intensively. Therefore, in the coming months, Social Alert plans to organize a seminar gathering together representatives of the civil society organizations of several African LDCs (social movements, NGOs and trade unions), in order to continue the process of consciousness-raising and reflection.

#### *V. CONCLUSION*

With regard to the preparation of the Financing for Development Conference, our coalition decided to sign the Conference document presented by the International Co-operation for Development and Solidarity (CIDSE). The approach taken in this document includes positions on ODA; a tax on currency transactions; and on the issues of trade, debt relief and global governance.

The document contents were posted on our website and distributed to our network worldwide to facilitate lobbying activities at these different levels.

In conclusion, we can greet positively the UNCTAD initiative to deepen the debate with Civil Society, in particular the organization of the international Dialogue in December 2001. Globalization excludes millions of people, in particular in LDC countries where massive violations of economic and social rights take place. Therefore, our organization will follow or organize any necessary action likely to provide answers to social injustice and to the serious situation of the LDCs, the most excluded countries of the world. Our participation in the World Social Forum in Porto Alegre (January 2002) will be one more initiative to join our voice to those who are convinced that a better world is possible.

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# INVESTMENT AGREEMENTS AND CODES OF CONDUCT FOR MULTINATIONAL CORPORATIONS (MNCs): VIEWS OF A DEVELOPING COUNTRY CONSUMER ORGANIZATION

by  
*Consumer Unit and Trust Society (CUTS)<sup>60</sup>*  
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## I. INTRODUCTION

An international investment agreement on the global economic level has continued to be discussed at Consumer Unit & Trust Society (CUTS), Jaipur, India, for some time now, but there is still no widespread acknowledgement of there being a need for such an agreement. The issue is currently on the World Trade Organization's (WTO) agenda. At the First Ministerial Conference of the WTO in Singapore, it was decided to set up a working group to study the relationship between trade and investment. Following some five years of discussions, the Fourth Ministerial Conference of the WTO held in Doha in November 2001, has resolved that this study should continue and that negotiations should be launched after a 5th such WTO Ministerial Conference. However, this mandate is debatable and also ambitious, and only time will tell as to how it will proceed.

The issue of an investment agreement at the international level has been around for a long time, with countries meanwhile entering into bilateral and regional agreements. These are now 2,000 in number. Efforts have also been made at the OECD to craft a multilateral agreement, but these failed due to serious differences among its members. Some of the OECD members, in particular the European Union and Japan, have now turned their attention to the WTO as the more likely forum for reaching an international accord.

One issue which has featured routinely in such discussions is that of how investors should behave. Furthermore, the issue has also been discussed in isolation, such as in establishing the United Nations Code of Conduct for Transnational Corporations (TNCs) in the 1970s. Concurrently, efforts have been made in other fora, which have thrown up a proliferation of codes of conduct for multinational corporations (MNCs). These have been formulated by corporations themselves as well as by intergovernmental and civil society organizations, taking a variety of forms according to their origin and purpose. Broadly, these codes articulate the ethical standards that large firms should follow, addressing their relations with various stakeholders including their shareholders, creditors, employees, residents of the areas in which their production facilities are located and others.

There is no prevailing standard for the firm-level codes of conduct and thus firms may choose to address as many or as few of the issues as they feel is necessary – or convenient – for their business activities. On the other hand, the codes of conduct that have been formulated by international organizations have attempted to generate standards to which ideally all specified firms should conform. While some of these codes, such as the OECD Guidelines for Multinational Enterprises, have achieved a degree of recognition by firms and governments, none has come close

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<sup>60</sup> This paper has been prepared by a team of staff members of the CUTS Centre for International Trade, Economics & Environment, Jaipur, India. [www.cuts.org/mnc-codes.htm](http://www.cuts.org/mnc-codes.htm)

to being universally respected. Some of the more successful codes have been those that address a specific issue or sector such as, for example, corruption or fisheries.

There is no inherent problem in having a large number of different codes. One theory envisages a 'market' for codes in the same way as there is a market for coffee, or any other consumer product. Some codes will be more efficient and attractive, and thus firms will gradually converge on these codes. Another view is that firms will continue to refine their own codes of conduct until these meet their specific needs and the interests of their consumers most effectively.

The issue of ethical business has been driven by a growing concern among consumers and civil society groups in general that MNC activities have grown beyond the reach of national laws governing, for example, labour or environmental standards. MNCs are characterized by the fact that they operate across borders. They are generally, although not necessarily, large and headquartered in a developed country. Their size – the largest 100 MNCs now have a greater turnover than the GDP of *most* countries – and scope, allow them to exploit economies of scale and to divide up the production process across borders according to the prevailing factor costs in different countries. These attributes give them huge power and influence over national governments, especially those of the developing countries.

## ***II. BACKGROUND OF THE DEVELOPMENT OF CODES OF CONDUCT***

A key event in the drive to establish a code of conduct for MNCs was the alleged involvement of one such transnational corporation in the coup d'état in Chile in 1973. This sparked off a process to introduce a binding code for MNC behaviour at the United Nations by the U.N. Centre for Transnational Corporations (UNCTC). However, the MNCs were very resistant to any kind of binding code of the type being discussed within the UNCTC and the Centre was later dissolved after its failure to obtain agreement on a binding code in the U.N. General Assembly.

More recently, growing consumer concern about the impact of globalization, in particular on developing countries, has forced many corporations to maintain high standards of business behaviour in other countries as well as in their country of origin. Consumers and civil society groups have engaged in boycotts, negative publicity campaigns and other activities to shame corporations into addressing poor labour conditions in their factories in developing countries and damage to the environment. Some of the most effective campaigns have been the anti-sweatshop campaigns conducted by the Fair Labor Association against Nike and other sports clothing manufacturers. In recent times, consumers have also boycotted products of companies like Nestlé or Shell in objection to their production or marketing practices in developing countries.

Many MNCs have now recognized the importance of the ethical reputation of the firm in maintaining sales, recruiting and retaining employees and in boosting staff morale. The creation of ethics departments in hundreds of US businesses may therefore be seen as a profit-driven response to a relatively new set of concerns created by globalization and a growing awareness of development. These new pressures have made firms much more responsive to international codes of conduct, although they insist that these should not be binding.

Despite the encouraging moves being made by many companies towards raising their standards of behaviour in developing countries, there is still a strong argument for an international binding code of conduct. This would increase the pressure on firms to monitor closely the activities of their subsidiaries in developing countries, which is not often the case at the present time. It would also ensure that firms were not able to escape standards that may be more costly and difficult to

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implement. However, given the resistance of MNCs to a binding code, such a code should be seen as a long-term goal.

An obligatory code of conduct for MNCs could form part of an international agreement on investment, which may be negotiated at the WTO after the Fifth Ministerial Conference in 2003. This would be an appropriate way to balance the obligations on governments to protect investors and investments, which would probably form the main body of the agreement.

In order to meet the needs of developing countries, the code of conduct would need to cover corporate disclosure rules, corporate governance and accounting standards, illicit payments, transparency in transfer pricing, restrictive, abusive and unfair business practices, standards on labour, environment, technology transfer and commitments to respect national laws and contribute to the local economy in various way, such as training the local labour force and forming supplier links with local firms etc.

### ***III. EXISTING PRINCIPLES AND CODES***

Numerous attempts have been made by international bodies to guide economic activity across borders. These include the enunciation of broad principles of rights and duties, guidelines or rules addressed to MNCs, such as the Draft Code of Conduct for TNCs mentioned above or the OECD Guidelines for Transnational Corporations, and sector- or issue-specific guidelines, such as the International Chamber of Commerce (ICC) Rules of Conduct on Extortion and Bribery in International Business Transactions, the ICC Business Charter for Sustainable Development, and the various ICC marketing and advertising codes. An important point to be noted is that none of these codes is binding, although the OECD Guidelines do have an implementation mechanism.

Despite their non-binding nature, all of these codes serve a useful purpose. The general principles are addressed to all sectors of society and may not translate directly into policies or actions, but they help to shape norms at the global level. The Global Compact, a recent initiative by the United Nations Secretary-General, Kofi Annan, drew attention to the link between the activities of MNCs and the Fundamental Principles of the Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the Rio Declaration of the U.N. Conference on Environment and Development. In his address to the World Economic Forum on 31 January 1999, he challenged the global business community to adopt codes of conduct based on the observance of human rights, labour rights and environmental protection.

The features of various codes of conduct directed towards MNCs are reviewed in more detail in table 1, and table 2 summarizes some of their characteristics.

Table 1: Selected international principles and codes governing MNCs

<b>GENERAL STATEMENTS OF PRINCIPLES</b>	<b>Year</b>
The U.N. Universal Declaration of Human Rights	1948
ILO Declaration on Fundamental Principles and Rights at Work	1998
Rio Declaration on Environment and Development and Agenda 21	1992
Copenhagen Declaration on Social Development	1995
<b>BROAD CODES OF CONDUCT</b>	
OECD Guidelines for Multinational Enterprises	1976, revised 2000
Global Sullivan Principles	1976
United Nations Centre for Transnational Corporations Draft Code of Conduct for Transnational Corporations	1977, abandoned 1992
Draft Guidelines for Transnational Investments	
ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy	1977
The Caux Principles drafted by a coalition of senior business executives from North America, Japan and Europe	1986
<b>SECTOR SPECIFIC GUIDELINES</b>	
International Chamber of Commerce Rules of Conduct on Extortion and Bribery in International Business Transactions	Signed in 1997 Entry into force 1999
The ICC Business Charter for Sustainable Development	Adopted 1990
Other ICC marketing and advertising codes	



Table 2: Comparison between main features of various codes of conduct

<b>CODES OF CONDUCT</b>		<b>Year</b>
Global Sullivan Principles	<ol style="list-style-type: none"> <li>1) Framed by the business</li> <li>2) Addresses the business</li> <li>3) Includes the principles on labour, property rights, fair competitive policy, transparency in the enterprise operations and disclosure of proper information</li> </ol>	1976
<i>OECD guidelines for MNEs</i>	<ol style="list-style-type: none"> <li>1) Framed by the Organization of Economic Cooperation and Development (OECD)</li> <li>2) Addresses the business</li> <li>3) Includes some general as well as specific guidelines</li> <li>4) Includes clauses on disclosure of information, employment and industrial relations, employment, combating bribery, consumer interests, science and technology and competition and taxation</li> </ol>	1976
Draft U.N. Code of Conduct on TNCs	<ol style="list-style-type: none"> <li>1) Framed by the United Nations Centre for Transnational Corporations (UNCTC)</li> <li>2) Addressed to the TNCs</li> <li>3) Includes clauses on a nation's sovereign rights, adoption of fair business practices and need for proper disclosure of information on the enterprises.</li> </ol>	1977
ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy	<ol style="list-style-type: none"> <li>1) Framed by the ILO</li> <li>2) Addresses governments, workers and employers organizations and multinational enterprises</li> <li>3) Includes clauses on employment, training, conditions of work and life and industrial relations</li> <li>4) Does not include any clause on environment</li> </ol>	1977
The Caux Round Table Principles	<ol style="list-style-type: none"> <li>1) Drafted by a coalition of senior business executives from North America, Japan and Europe</li> <li>2) Addresses the business</li> <li>3) Includes general and stakeholders principles</li> <li>4) Includes clauses on responsible business behaviour, labour, environment, respect for rules, support for multilateral trade, avoidance of illegal operations and respect of the dignity of customers, investors, suppliers, communities and competitors</li> </ol>	1986

The codes of conduct outlined above in table 2 contain many promising elements that could radically improve the impact of MNC activities in both developed and developing countries if they were effectively implemented. However, opposition to making the codes binding has weakened their implementation and made them only marginally effective, provoking criticism from civil society groups and developing country governments. As the codes are non-binding, human rights groups, labour organizations, and others in civil society have to play a role in enforcing these codes, encouraging compliance, and promoting improvement. Such efforts, although they may be effective, are ad hoc, under-funded, and insufficient. Even if weakly implemented, it is important to recognize the moral force of these codes. Civil society organizations trying to pressure firms to raise their standards of behaviour may appeal to the codes to strengthen their arguments and win backing from governments who are the signatories to the codes.

Opposition to making the codes binding has, not surprisingly, come from the MNCs themselves who would prefer to pick and choose the elements of their ethical business strategies. In the current economic atmosphere, it is probably unrealistic to expect that these powerful firms will accept a binding code of conduct agreed at a multilateral forum. This situation may change gradually due to the public relations pressure and a gradual realization by firms that many of the requirements placed upon them would actually benefit them by making their business environment more secure. However, an overall agreement is probably still not realizable in the near future.

#### *IV. CONCLUSION*

The Global Compact envisaged by Kofi Annan brings together all the relevant actors, including governments, MNCs, labour and the civil society organizations, and calls for the participation of all these groups. This provides a useful framework for an approach to the challenge of formulating effective and implementable guidelines for the behaviour of MNCs. In the first place, developing country governments must ensure that the appropriate national policies governing reporting obligations of firms, transparency, corruption and labour and environmental standards are in place. Corporations are bound to respect the laws of the countries in which they operate, so the first step to controlling MNC behaviour must be made at the national level. Governments should be aware that some incentives offered to attract foreign firms to set up operations in a particular country may conflict with the overall aim of making these firms meet developmental expectations.

Second, there is an important role for the governments of MNCs' home countries. Governments already apply their national laws on corruption to the activities of nationally registered corporations outside of their territories. There is therefore no technical reason why this same approach could not be adopted with regard to transparency, labour and environmental standards etc., so that a firm would have to maintain the same high standards in its factory in Thailand as it does in its headquarters in the United States.

In the longer-term, a set of enforceable Guidelines would be a necessary counterpart to the obligations and restrictions imposed on governments in any potential International Investment Agreement to be negotiated in the WTO. Investors would clearly be gaining security and opportunities in such an Agreement, which should be balanced by some protection for the developmental needs of the host countries. These can only be adequately protected with a thorough, comprehensive and enforceable set of rules on MNC behaviour.

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## SELECTED VIEWS ON CRITICAL ISSUES CONCERNING INTERNATIONAL TRADE, FINANCING FOR DEVELOPMENT AND GLOBAL ECONOMIC GOVERNANCE

by  
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This paper briefly presents actions and views of CIDSE-CI member organizations in areas of critical concern to developing countries, in particular, trade in agriculture, TRIPS, other trade-related matters and cooperation with UNCTAD and NGOs, issues with regard to financing for development, and finally, a position with regard to global economic governance.<sup>62</sup> It is based on CIDSE-CI information provided to UNCTAD.

### ***I. ISSUES RELATED TO TRADE IN AGRICULTURE***

CIDSE organizations opposed a new “broad round” of negotiations on the grounds that many developing countries wished to deal first with implementation issues arising from the Uruguay Round before moving on to new issues, and that the “built-in agenda” (negotiations on agriculture and services, together with a review of the TRIPS Agreement) constituted a task that was already putting severe strain on the negotiating resources of developing country missions in Geneva.

CAFOD, a CIDSE member organization, together with the South Centre in Geneva, had worked actively with developing country delegations to introduce the concept of a Development Box as an addition or amendment to the WTO’s Agreement on Agriculture. The Development Box consists of a set of enhanced Special and Differential Treatment measures, for developing countries only, that would allow governments to raise tariffs to prevent import surges which threaten the livelihoods of low-income and resource poor farmers producing staples for the domestic market, and also to subsidize small farmers either through measures not currently permitted under the Agreement on Agriculture, such as by providing subsidized transport, or by providing higher levels of subsidy than currently permitted by *de minimis* levels. At the Doha Meeting, an amendment to the agriculture section of the Draft Ministerial Declaration on the Development Box was put forward by a group of developing countries under the chairmanship of Pakistan. But in the event, it was not accepted. The task now is to sharpen the concept of the Development Box so that it becomes a feasible and targeted proposal. It is due to be discussed by the WTO Committee on Agriculture in February 2002.

CIDSE, together with many other NGOs and developing country governments, believes that it is essential that the negotiations on agriculture recently launched by the Doha Meeting should take full account of the need to support agriculture in developing countries where up to 80 per cent of the

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<sup>61</sup> CIDSE brings together 14 Catholic development organizations located in Europe and North America: <http://www.cidse.org> – 16 rue Stévin – B-1000 Brussels, Belgium; Caritas Internationalis is a confederation of 154 Catholic relief, development and social service organizations present in 198 countries and territories: <http://www.caritas.org> – Piazza San Calisto 16, V-00120 Vatican City.

<sup>62</sup> Sections of this paper are based on the CIDSE/CI Position paper: “Financing Development through Redistribution”, published in Brussels, September 2001.

population can be engaged in agricultural production. This is in contrast to the situation prevailing in OECD countries, where less than four per cent of the economically active population work in agriculture, thus contributing a correspondingly small proportion of GDP. The Development Box proposal does not address all the problems facing agriculture in developing countries, such as market access, export subsidies and the high levels of domestic support for agriculture currently maintained in developed countries. Nor does it deal with the problems of small countries which are heavily dependent on one or two export crops. The aim of the Development Box proposal is to protect the food security and the livelihoods of small farmers by ensuring that they are not exposed to competition from subsidized, dumped or unduly cheap imported staples.

In September 2001, CIDSE published its document *The WTO and Food Security* setting out these concerns. The first recommendation in this document is that the WTO Agreement on Agriculture “adopt as its overriding aim the World Food Summit target of halving world hunger by 2015” and that “the WTO should state publicly that the achievement of the 2015 poverty reduction target is an explicit objective of its work.” We note that this recommendation echoes, in a more precise form, the statement of the G-77 and China that “The development dimension must be fully incorporated into the Multilateral Trade System.” (*Declaration by the Group of 77 and China on the Fourth WTO Ministerial Conference at Doha, Qatar, Geneva, 22 October 2001*).

## **II. THE TRIPS AGREEMENT**

CIDSE member organizations lobbied and campaigned extensively on intellectual property issues in relation to plant genetic material and on agriculture in the period preceding the Fourth Ministerial Meeting of WTO at Doha in November 2001. These organizations lobbied vigorously against “patents on life”, on the grounds that they constitute a threat to food security and biodiversity because they may exclude other seeds from the market. CIDSE member organizations have also campaigned against “bio-piracy” – the appropriation of genetic resources from developing countries without due consultation with or payment to the farmers or traditional communities which have identified the special properties of particular plants – nutritional, resistance to diseases or medicinal. MISEREOR, the German CIDSE member organization, together with The Berne Declaration, ActionAid and the Institute for Agriculture and Trade Policy, published *TRIPS on Trial* in September 2001 to highlight the dangers of the TRIPS agreement. In 2000, CIDSE published *Biopatenting and the Threat to Food Security – A Christian and Development Perspective*, outlining the same concerns.

## **III. FUTURE PLANS REGARDING TRADE-RELATED MATTERS AND POSSIBLE COOPERATION WITH UNCTAD**

CIDSE believes that cooperation between NGOs and developing country governments has been enhanced since the Third WTO Ministerial Meeting in Seattle, because the latter have noted the impact on the climate of public opinion caused by NGO campaigning on the issue of TRIPS and health care. On agriculture too there has been good collaboration between NGOs, including CIDSE member agencies, and developing country governments.

The Fourth WTO Ministerial Meeting has set a huge negotiating agenda for developing country governments. The declaration makes frequent references to developing countries and special and differential treatment and reaffirms in paragraph 44 that “provisions for special and differential treatment are an integral part of the WTO agreements”. Success in ensuring that these “best endeavours” statements are reflected in the subsequent outcome of negotiations will depend

on the ability of developing countries to engage in complex, parallel negotiations and study groups within the single undertaking.

Assistance from intergovernmental organizations like UNCTAD will be crucial in building negotiating capacity. Cooperation with NGOs such as the CIDSE member organizations can also play a part. One area of possible cooperation between UNCTAD and CIDSE and its member organizations lies in joint research. CIDSE believes that the policy recommendations – and, indeed, the campaigns – of NGOs should be based on sound research. UNCTAD has both the resources and the experience to conduct such research. CIDSE would thus welcome the possibility of discussing with UNCTAD the areas in which future collaboration would be possible.

Work will continue on the Development Box proposal and, even if the concept of a Development Box is not adopted, work will need to continue on Special and Differential Treatment in the Agreement on Agriculture. Similarly, work will continue on TRIPS and, more widely, on intellectual property concerns in relation to genetic resources. A number of CIDSE member agencies are likely to work on issues of export subsidies and market access to the European Union. CIDSE's work would be enhanced by research findings on the impact of export subsidies on developing countries and additional work on the trade distorting impact of direct support – mentioned by implication in the Doha declaration.

#### ***IV. ACTIONS FORESEEN WITH REGARD TO FINANCING FOR DEVELOPMENT***

In the view of CIDSE organizations, first, an international campaign should be mounted to persuade governments to make strong efforts to reach international development targets. Second, all major donor governments should make a public commitment to invest the necessary level of financial resources to, at a minimum, achieve the 2015 international development targets. All donor countries should reach the *United Nations 0.7 per cent ODA target of GNP* as soon as possible and set out a specific time frame for so doing. Third, CIDSE members among the OECD countries are ready to support a campaign at the national level to raise public awareness on the importance of ODA.

*With regard to cancellation of the debt*, CIDSE-CI wish to stress that the issue of poor countries' external debt is still far from resolved. Further debt relief is needed and must be financed strictly by *additional resources*. The central flaw of the HIPC Initiative lies in the narrow criterion used to assess the level of debt that countries can afford to sustain. CIDSE and Caritas Internationalis urge a thoroughgoing *review of the notion of debt sustainability* promoted by the Bretton Woods Institutions. If debt reduction is to contribute to poverty reduction, then *poverty levels must be part of the determination of the debt-servicing levels that a country can sustain*. If the international development targets (IDTs) are taken seriously, the current grouping of HIPCs eligible for debt relief has little or no capacity to service its debts. According to preliminary calculations made by CIDSE and Caritas Internationalis member organizations, if the HIPCs are to attain the 2015 IDTs, they need to be eligible for 100 per cent debt cancellation.

CIDSE-CI believe that this fundamental shortcoming is intrinsically linked to the imbalance in decision-making in international debt management. Looking at the relevant fora where debt is negotiated, we find that it is the creditors who define the process, establish the rules, and decide upon particular cases based on information and analysis that they have generated or commissioned. While such a structural imbalance between the parties in a court of law would be completely unimaginable between creditors and debtors within a national context, this situation has remained

largely unchallenged between sovereign debtors and creditors at the international level. In order to secure a long-term solution to over-indebtedness for countries, *the question of insolvency and of a fair and transparent arbitration procedure on debt should be explored.*

## V. CIDSE's POSITION WITH RESPECT TO GLOBAL ECONOMIC GOVERNANCE

*There should be adequate representation and participation of all States, especially of developing countries, in the decision-making and governing bodies of the international financial institutions. Voting rights must be more representative and less unequal.*

International economic and financial institutions must ensure that their policies are coherent and in stronger cooperation with the U.N. and its agencies, consistently angling towards the primacy of poverty eradication and sustainable (i.e. environmentally sound and socially just) development. It is necessary to carry out economic monitoring and *social impact assessments* in the international financial institutions, the WTO and the U.N. agencies.

There should be a *transfer of economic and financial decision-making powers away from ad-hoc groups and fora with a limited membership (e.g. G7, Paris Club) towards bodies that have clearly defined intergovernmental mandates*, with more universal membership and participatory decision-making processes. As a start, modalities must be developed for bodies with limited membership (e.g. G-7, G-20, Financial Stability Forum) to ensure fully inclusive, participatory, accountable and transparent processes.

In this regard, *policy coordination by the United Nations General Assembly and Economic and Social Council (ECOSOC)* is needed in order to enhance coherence of the international financial and trading systems. Periodic roundtable meetings in the context of the U.N. General Assembly sessions must be convened to address global economic and financial policy questions. These meetings should involve relevant international institutions as well as civil society.

An *Economic and Social Security Council* – as proposed by the U.N. Commission on Global Governance in 1995 - should be established that would have the same standing on international economic matters that the Security Council has with regard to peace and security. As a first step, the *ECOSOC should be strengthened*. It should meet more frequently, for short, focused meetings on priority topics as needed, in order to make a more effective use of the Council as a forum for dialogue to achieve policy coherence and coordination. With participation of civil society, the ECOSOC should also regularly review:

1. The implementation of the decisions made at the Financing for Development International Conference.
2. The attainment of the internationally-agreed development goals and the strengthening of regional cooperation, taking into account different cultural and economic views of development, specifically the gender dimension.
3. The impact of finance and trade policies on sustainable and socially just development and progress made in policy cooperation.

As proposed by the High-Level Panel on Financing for Development in its report commissioned by the U.N. Secretary-General, a further step could be to create *a Global Council within the U.N.* to provide leadership on global governance issues. The Panel also stated that a Globalization Summit with broad participation could pave the way to the creation of such a

Council.

*International regulatory frameworks* should be established to control financial speculation and improve preventative measures to address the excessive volatility of short-term capital. *New instruments* need to be created by the developing countries themselves *to manage the risks* associated with interest rate and exchange rate fluctuations, for example, forms of capital control or a currency transaction tax to be levied at national level.

An *international organization for cooperation on tax matters* should be established at the United Nations in cooperation with the IMF and other international financial institutions. Better cooperation should be achieved between national tax authorities to reduce opportunities for tax evasion and avoidance.



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## **FOLLOW-UP TO THE FOURTH WTO MINISTERIAL CONFERENCE IN DOHA: MARKET ACCESS - THE MAJOR ROADBLOCKS**

*by*  
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### ***I. INTRODUCTION***

The Fourth WTO Ministerial Conference was held in Doha in November 2001. The biggest success in terms of its outcome is that WTO Members agreed on three separate texts – a General Ministerial Declaration, an Implementation Decision and a Declaration on the TRIPS Agreement. The so-called “Development Round”, or “Millennium Round”, the ninth in the series, was also launched. These developments ensure that multilateral trade negotiations will be at least moving forward, although they might not yield the desired results.

Since the launch of the Uruguay Round (UR) of trade negotiations in 1986, developing countries have been trying hard to integrate themselves into the world economy. They have made substantial progress in reforming their trade and exchange-rate policies. Tariffs in their external markets were cut and their dispersion declined in many countries, while fewer products were covered by quantitative restrictions, but their long cherished objective of securing free market access in all the developed countries has still not been realized.

The UR Agreements resulted in a major step forward by bringing the agriculture sector for the first time under the disciplines of the GATT/WTO. Nonetheless, very substantial protection continues to prevail through a variety of controls and interventions that hamper international trade in agriculture. In the case of non-agricultural products, developing countries continue to face tariff peaks and tariff escalation in developed country markets for some categories of manufactured products of particular interest to them, such as textiles & clothing, footwear etc.

This paper aims at highlighting the poor success rate of developing countries in penetrating the markets of developed countries and the increasing marginalization of LDCs on the global trading map. The share of these countries in total world exports fell to an all-time low of 0.38 per cent in 1998 (UNCTAD 2000). The paper also identifies the major stumbling blocks in market access for poor countries, and the major markets where developing countries’ exporters have so far been unable to penetrate.

### ***II. A CHANGING LANDSCAPE OF MERCHANDISE TRADE***

The 1990s witnessed a boom in world trade, with an average annual increase of 6.3 per cent in the volume of global merchandise trade (1990-99). It has outpaced global gross domestic product (GDP) growth by an average of 4.2 per cent per year over the same time period. Exports grew faster than output in every major region.

The developing countries made a significant contribution to this vigorous expansion of world trade in the last decade. The share of developing countries in global export markets rose by almost 7 percentage points, to about 25 per cent of world non-energy merchandise trade, primarily on the strength of a superior performance in exports of manufactures. They accounted for 27 per cent of such exports in world trade in 2000, a remarkable increase from their 17 per cent share in 1990. However, the details behind these headlines reveal divergent trends. There are some sectors and some countries enjoying exceptional growth, while others have remained almost stagnant.

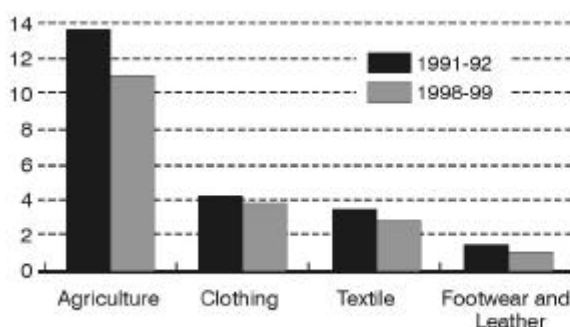
Developing countries as a whole improved their penetration of world markets, but the export share of the 49 LDCs shrank from 3 per cent in the 1950s to around 0.5 per cent in the early 1980s, and has hovered around this very low rate over the last two decades (UNCTAD 2001). In the year 2000, aggregate merchandise exports from the LDCs reached a record level (US\$ 34bn), while at the same time more than one-third of the LDCs saw their exports decline.

The LDCs continue to be dependent on agriculture and labour-intensive manufactures, which together account for about 70 per cent of their total exports. The share of manufactures in total exports of Africa, where 33 of the 49 LDCs are located, was only 24.6 per cent in 2000 (WTO 2001a), which may be contrasted with the world's share of 74.9 per cent. The expansion of trade volumes in these sectors has not kept pace with world trade growth, which has undermined the growth prospects of the LDCs and hindered their battle against poverty. Furthermore, progress in lowering trade barriers has lagged in agriculture and labour-intensive manufactures (such as textiles & clothing), the two sectors which most impact on LDC poverty. Both of these sectors are highly protected. Agriculture and other labour-intensive products matter to the world's poor because they represent more a half of low-income countries' exports, and about 70 per cent of the export revenues of LDCs.

The expansion of trade volumes in agriculture, clothing, textiles, footwear and leather products has not kept pace with world trade growth during the last decade (see figures 1a and 1b). At the same time poor countries remain dependent on these sectors for their growth in exports. The declining share of these sectors in total world merchandise exports has undermined the growth prospects of the LDCs and hindered the battle to reduce poverty.

*Figure 1a*

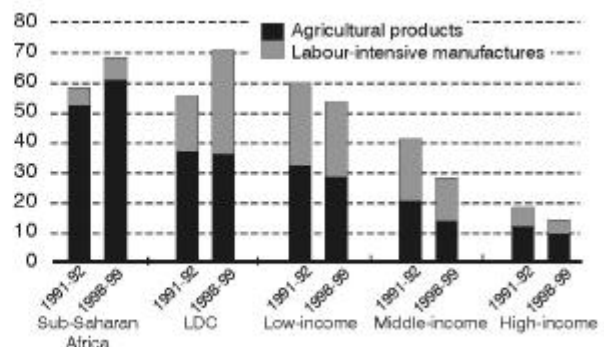
The shares of labour-intensive products in world exports have declined



*In per cent of total nonenergy merchandise exports for each category*

*Figure 1b*

Poor countries remain highly dependent on specific sectors



*In per cent of world nonenergy merchandise exports for each country group*

Source: World Bank staff calculations, based on U.N. Comtrade.

### **III. MAJOR ROADBLOCKS TO MARKET ACCESS**

In the preamble to the Marrakesh Final Act of the UR, establishing the WTO, Members have clearly expressed their desire to contribute to objectives such as raising living standards and attaining full employment, growth and sustainable development by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to international trade.

The UR trade negotiations made a significant contribution towards lowering global barriers to merchandise trade on two fronts: improving market access, due to the reduction of tariffs and quantitative restrictions on a number of products; and extending multilateral disciplines to previously excluded sectors, particularly agriculture, and textiles & clothing. Most developing country members of the WTO have liberalized their trade regimes significantly during the last decade. This process has had several dimensions: (a) applied tariffs have been lowered; (b) many countries have bound a significant number of tariff lines in the context of results of the UR; (c) the overall use of non-tariff barriers to trade has decreased practically in all countries; and (d) in general, the incidence of government intervention in trade has declined.

However, poor countries have still not been able to penetrate adequately the markets of developed countries. Many of the tariff bindings are at levels much higher than applied tariffs, creating a degree of uncertainty to exporters wishing to access these countries' markets. While the overall use of non-tariff measures has declined, the use of certain trade remedy measures, such as anti-dumping, is on the increase. Moreover, there is rising evidence of the difficulties being faced by developing countries, especially LDCs in implementing the WTO commitments in new areas such as Trade-Related Aspects of Intellectual Property Rights (TRIPS), Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT).

For poor countries, the continuing major concerns are tariff peaks, tariff escalation, distortions in agricultural trade, restrictions on textiles & clothing exports, and the growing incidence of anti-dumping measures etc. These are the main hurdles standing in the way of free and fair market access in the developed countries.

#### *Tariff Peaks*

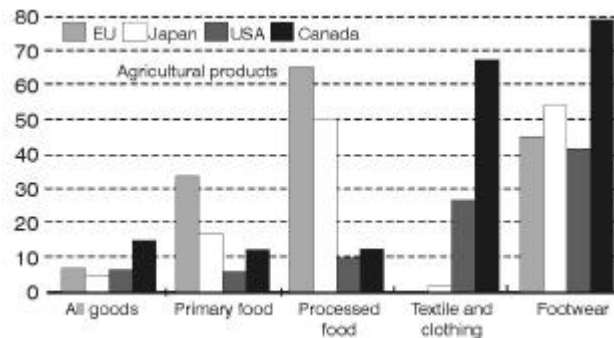
Low average duties conceal high tariffs and tariff escalation left in place for major agricultural and industrial export products of the developing countries. Extremely high and often prohibitive peak tariffs of 100 to 900 per cent continue to be applied by many developed countries for such major agricultural products as sugar, rice, cereals, dairy products and meat as well as for food industry products and footwear (Supper, 2001). Peak tariffs also affect a range of fruits, vegetables, other canned and prepared foods and fruit, textile, clothing, leather and leather products, as well as certain technology-intensive products, such as trucks, buses, consumer electronics and watches.

Imports at tariff peaks represent about five per cent of the total Quad countries (Canada, EU, Japan and the United States) imports from developing countries, and more than 11 per cent of total Quad imports from LDCs. Such "tariff peaks" are often concentrated in products that developing countries wish to export: agricultural and food products and labour-intensive products, such as apparel and footwear (Hoekman, Ng, and Olarreaga 2001).

Within the Quad, tariff peaks are widespread but their pattern differs (see figure 2). In North America, tariff peaks are commonly found in industrial goods, particularly on imports of textile and clothing. In contrast, tariff peaks in the EU and Japan are common in agriculture, especially on imports of processed food, and tariff peaks on imports of footwear are widespread across all Quad markets and surpass those found in textile and clothing (World Bank 2001).

*Figure 2*

Widespread tariff peaks shelter agriculture and labour-intensive manufactures in the Quad



(MFN tariff lines in tariff peak (in per cent for each product group, 1999)

*Note:* Tariff peaks are defined as tariffs greater than 15 per cent.

*Source:* World Bank, based on OECD tariff files.

### *Tariff Escalation*

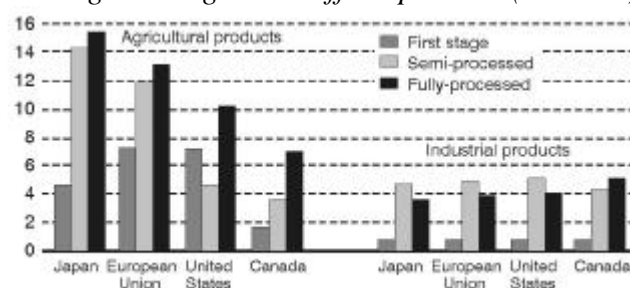
Tariff escalation has been a matter of concern for developing countries in the context of market access because it tends to increase the rate of effective protection at higher stages of processing, thereby making market access more difficult for finished manufactured products. Tariff escalation in high-income countries has the potential of reducing demand for processed imports from developing countries, hampering diversification into higher value-added exports.

In high-income countries, tariffs escalate steeply, especially on agricultural products (see figure 3). In the Quad, tariffs on more processed agricultural products are comparatively higher in the EU and Japan, while in the United States there is evidence of reverse escalation between unprocessed and semi-processed commodities (World Bank 2001).

Figure 3

Tariffs escalate steeply in the Quad – especially in agriculture

*Average unweighted tariffs in per cent (1998-99)*



Source: World Bank, based on WTO data.

### *Distortions in Agricultural Trade*

The WTO Agreement on Agriculture (AoA) marked an important step in improving access to sheltered agricultural markets in high-income countries. A wide range of non-tariff barriers was abolished and converted to ordinary tariffs. Existing and new tariffs were bound, and these bindings were subject to reduction. Developing countries were allowed more compliance flexibility through longer implementation periods and lower reduction commitments by making provisions of Special & Differential Treatment (S&DT).

Almost seven years have now passed since the implementation of the Uruguay Round Agreement on Agriculture (URAA), but agricultural markets are still highly protected. At present developed countries are applying several means to protect their farm sectors. Some of these are discussed briefly below.

- (a) Since the international agricultural prices in the base period for the URAA (1986-88) were well below high domestic prices supported by quotas, the conversion of quotas into tariff equivalents resulted in high rates of tariff protection (OECD 2001a).
- (b) Tariff peaks in agriculture occur frequently on processed products and temperate commodities. They are less common on unprocessed fruits and vegetables and tropical commodities, which are not produced in high-income countries but are major export crops in the LDCs.
- (c) The average fill rates of Tariff Rate Quotas (TRQs) have been low and declining, from 67 per cent in 1995 to 63 per cent in 1998, while about a quarter of tariff quotas were filled to less than 20 per cent. The TRQ was introduced by the URAA with the aim of securing a minimum level of market access (OECD 1999).
- (d) At an estimated US\$ 245bn in 2000, which is about five times the level of international development assistance, support to agricultural producers in high-income countries remains sizeable (OECD 2001b). Total support to agriculture (as defined by the OECD) is even higher, at about US\$ 327bn in 2000, which is 1.3 per cent of the OECD countries' GDP.
- (e) Export subsidies in agriculture allow countries to export production surpluses to the world market at prices below the high prices prevailing in their domestic markets. Export subsidies were valued at about US\$ 7bn on average, in 1995-98, some 95 per cent of which was granted by the EU.

### *Restrictions Remain on Textiles & Clothing*

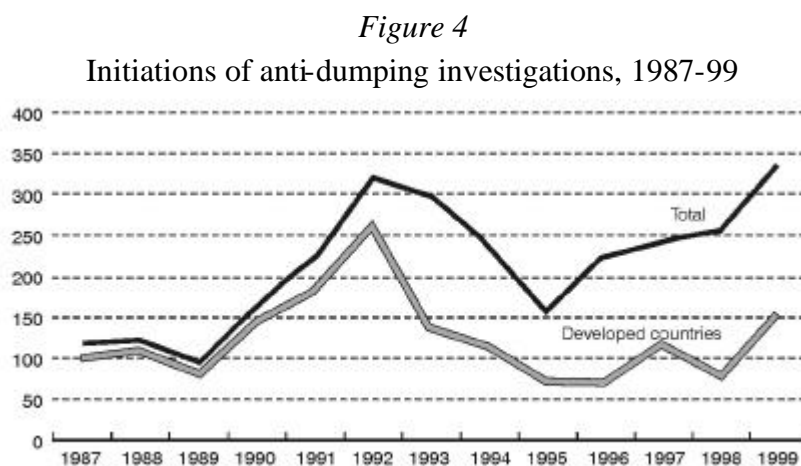
For more than 30 years, an important part of world trade in textiles & clothing was governed by special regimes called the Multifibre Arrangement (MFA), which provided for waivers from GATT rules. The UR Agreement on Textiles & clothing (ATC) provides for the gradual phasing out of the MFA country-specific quotas over a 10-year period, ending in 2005. The ATC was an important step towards improving developing countries' access to high-income countries' markets, because it thus became very difficult for the importers to introduce new quotas. However, the effectiveness of ATC in freeing up markets has been limited by two main drawbacks.

First, scheduled quota integration is "back-loaded" with quota-free market access for nearly half of all imports due only at the end of the transition period. Second, the ATC rules for the removal of quotas are framed in terms of overall import shares in textiles & clothing, rather than in terms of the number of quotas. This allows importing countries the leeway to select the products to be freed of quota restrictions in each step, which slows the pace of liberalization. Up until 2000, more than 33 per cent of trade was integrated, fulfilling the minimum ATC requirements, but products that have been freed of quotas by the EU and the United States represent only small shares of their total textile and clothing imports – about 6 per cent of 1995-97 imports for the United States and less than five per cent for the EU (ITCB 1999).

### *The growing practice of Anti-dumping*

Import-competing firms are often tempted to pressure their respective governments to involve anti-dumping laws, which are permitted by WTO rules, alleging unfair trade practices by their foreign competitors. Anti-dumping laws enable governments to impose offsetting duties on imports from foreign suppliers found to be both dumping products in the domestic market and causing "material injury" to a domestic industry. The main users of these laws have been developed countries, but developing countries have increasingly taken recourse to these laws. As may be seen from figure 4, initiations of anti-dumping investigations have steadily and significantly increased since 1995, reaching an all-time high of 340 in 1999.

About one-half of all investigations initiated by developed countries between 1995 and 1999 were targeted at developing countries, while 25 per cent of them were targeted at other developed countries and 25 per cent at transition economies. Among the investigations initiated by developing countries during the same period, an approximately equal proportion was targeted on each of the three groups of countries (WTO 2001b).



Source: WTO Secretariat

#### *Growing threats from Standards and Technical Barriers*

While traditional trade barriers in agriculture such as tariffs continue to decline, technical and regulatory barriers are increasingly subject to debate. In recent years, Sanitary and Phyto-Sanitary (SPS) measures and Technical Barriers to Trade (TBT) have emerged as the greatest threat to poor countries' exports.

Both of these measures/standards, by their very nature, may result in restrictions on trade. All governments accept the fact that some trade restrictions may be necessary and appropriate in order to ensure food safety and animal and plant health protection. But there has been increasing arbitrary use of these measures by developed countries.

In developed countries consumer groups, environmental protection agencies and food safety enforcement agencies are increasingly prescribing stricter and stricter standards for macro-cleanliness, microbial loads, aflatoxin, and pesticide residues (Jha, 2001). For instance, Japan insists on DDT residues level of 0.4 PPM on unmanufactured tobacco while the international standard is as high as 6 PPM.

Developing countries are vulnerable to regulatory changes in developed countries due to a relative scarcity of public resources to finance compliance with new and more restrictive SPS and TBT standards. While middle-income developing countries have shifted their export to processed food to avoid complying with high SPS standards, countries in the lowest income region, such as Africa, still largely depend on raw food exports. The cost of compliance with WTO provisions on SPS and TBT in the LDCs can exceed the total government budgets for all expenditures in these countries.

Fast technological changes have enhanced inspection capacities in developed countries and allowed them progressively to adopt more restrictive SPS and TBT standards. Securing sales in these major markets is expected to become more challenging and costly over time (Wilson et al 2000).

#### *IV. CONCLUSIONS AND POLICY IMPLICATIONS*

Openness to trade has long been seen as an important element of good economic policy, and trade liberalization as a necessary step for achieving it. Such liberalization is generally considered to be an ally in the fight against poverty. Empirical evidence also indicates that trade liberalization is a positive contributor to poverty alleviation.

The UR agreements did advance the integration of the developing countries into the multilateral trading system, and have contributed to the liberalization of the trade regions of developing countries and to improvements in the conditions affecting access to the major markets for their export products. However, unilateral liberalization is not enough to integrate any economy into the world economy, unless it is reciprocated. So far, the integration process has been especially impressive for a group of only 15 to 20 middle- and higher-income countries in Latin America and Asia. For many others, especially the LDCs, progress has been slower.

If the international community is serious in sharing the fruits of global trade expansion with poor countries, the factors enhancing their trading opportunities must be addressed on a priority basis. For the world's 2.8 billion poor people, reducing trade barriers to agricultural products, textiles and clothing, and several other labour-intensive manufactures, are critical. Both the high-income countries, and even the middle-income countries, will have to reduce their levels of protection in agriculture.

In manufacturing, political commitment is necessary to phase out the quotas agreed under the ATC and its full integration into WTO rules by 31 December 2004. In the case of textiles and clothing it must also be ensured that high levels of tariff protection do not take the place of quotas. All these efforts should be accelerated. In other words, firm commitments are required on the part of rich countries to reduce tariff escalation and tariff peaks, which have so far proved major impediments to the industrialization process of poor countries.



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## **ENABLING THE LDCs TO DEVELOP BY POWER SHARING IN TRADE AND INVESTMENT**

*by*  
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### ***I. INTRODUCTION***

The World Council of Churches (WCC) is concerned about inequity and inequality manifested in world trade, finance and investment. Through its Economic Justice program it has been established that without justice being at the centre of global trade, finance and investment, the LDCs will not reap any substantial benefits for their own development. It has also been made apparent that unless the present asymmetry between developed and developing countries is seriously addressed, even the international development goals set for 2015 will not be achieved. Evidence has shown, for instance, that international trade agreements made in the WTO, and its predecessor the GATT, have until now been dominated by a particular model of trade policy based on the economic doctrines of free trade and the political needs of the major economic powers. The result has been a selective liberalization that has not contributed to equitable development, and may have actively harmed the development prospects of many developing countries.

The World Council of Churches can cooperate with UNCTAD in a number of areas where justice in trade and development needs to be established.

### ***II. THE TRADING PERFORMANCE OF LDCs***

International trade has become increasingly unequal. The LDCs have been particularly disadvantaged, and their share of world trade has halved over the last 20 years, until the poorest 10 per cent of the world's population participate in less than half of one per cent of the world's trade.<sup>63</sup> More trade liberalization will not necessarily help the LDCs. Figures 1 and 2 below, based on IMF data, illustrate how the world trade continues to benefit the European Union and the United States while the rest of the world scrambles for part of the decreasing pie. Thus, the LDCs will be further deprived of the benefits of the growth of world trade.

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<sup>63</sup> Wickrema, S and P. Madden, 'The Lands that Trade Forgot', Christian Aid, 1996

Figure 1

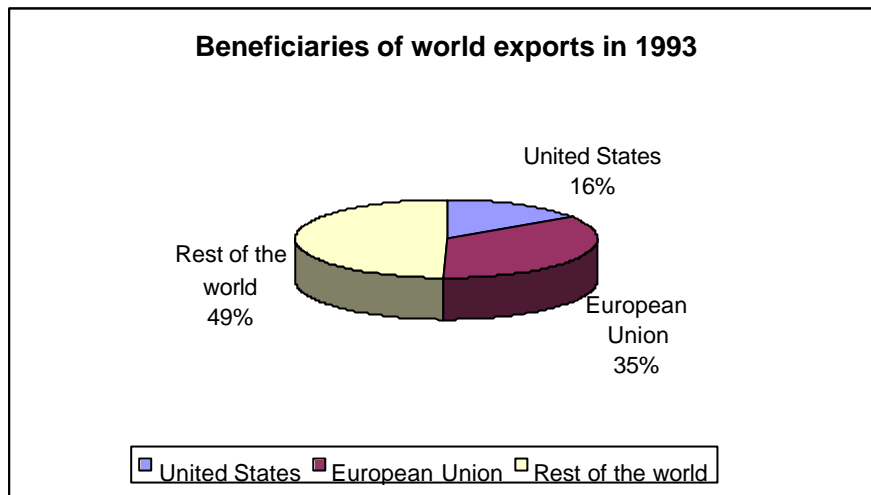
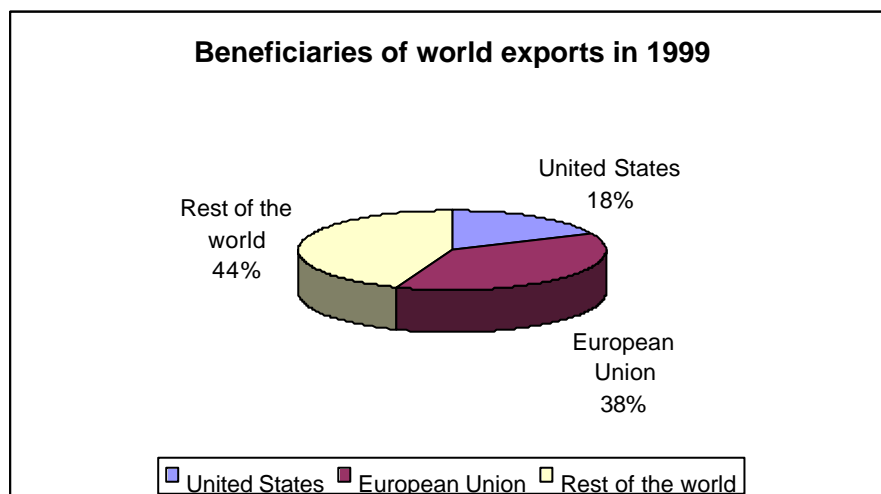


Figure 2



*Source:* International Monetary Fund data.

UNCTAD has to influence its Member States to put at the centre of their programmes the issue of justice looking beyond trade liberalization, and to design trade policies which have development and poverty eradication as their main objective. More concretely, first, there should be a thorough assessment of the gains and losses resulting from the implementation of trade agreements to date, including this distribution between large and small firms and LDCs and developed countries. Second, the industrialized Member States of UNCTAD should be urged to commit funds to facilitate evaluations of the impact of trade liberalization on the LDCs. The main theme should be “Equitable sharing of trade opportunities and the capacity to negotiate”.

### **III. MEASURES TO REDUCE LDC ECONOMIC WEAKNESS**

There is a new threat to LDCs due to contagion from a sharp slowdown in industrial countries

coming through weaker export opportunities, worsening terms of trade and diminishing capital flows. UNCTAD should soon declare the LDCs to be severely weak economies which require the following immediate measures:

- (a) 100 per cent debt cancellation for the HIPC's and the illegitimate debts of the LDCs. These illegitimate debts include:
  - (i) Debts which cannot be serviced without placing a burden on impoverished people.
  - (ii) Debts contracted for fraudulent purposes.
  - (iii) Debts from loans wasted on projects that have never benefited the people.
  - (v) Debts which were created due to the compounding of interest charges after Northern countries unilaterally raised interest rates.
  
- (b) The WCC supports the following UNCTAD proposals:
  - (i) Setting up global mechanisms for the protection and support of distressed international debtors in the form of temporary standstill arrangements, lending into arrears and debt restructuring need to be quickly designed and implemented.
  - (ii) Support for an international bankruptcy law.
  - (iii) Contingency measures to assist the debt-affected developing countries, including debt cancellation and deferral of payments on official debts.
  - (iv) Increased overseas assistance to more than US\$ 20 billion annually (WCC proposal).

#### ***IV. FINANCING FOR DEVELOPMENT***

The WCC's View on financing for development is contained in the document *Justice: The Heart of the Matter: An Ecumenical Approach to Financing for Development* published by the WCC and the Ecumenical Coalition for Economic Justice- A project of Canadian Churches. This may be summarized as follows. Both of these Organizations assert that merely providing more financing for development initiatives is not enough. Development cannot be reduced to a question of financing alone. An exclusive focus on money flows is analogous to the behaviour of a medical doctor who treats only the patient's blood circulation while ignoring the digestive system, the bone structure, the pulmonary system and other vital organs. Justice demands a more holistic diagnosis of development weaknesses.

The ecumenical community identifies and challenges the very heart of the matter: the neo-liberal paradigm enforced by the World Bank, the International Monetary Fund and the World Trade Organization. Increasing funding for activities that reinforce this model of mal-development will not eliminate poverty, inequality or ecological devastation. On the contrary, it will only exacerbate these injustices.

With regard to the six themes of the forthcoming U.N. Conference on Financing for Development, the following is a summary of basic issues that must be addressed in creating new models for development. Justice demands:

- *A commitment to retaining community and national savings for reinvestment where they are generated.*
- Measures to minimize and reverse the outflow of wealth from developing countries.

- 
- Selective use of foreign financing for essential imports and projects that will strengthen the national economy.
  - International trade and investment agreements that enable national governments to require corporate social responsibility, to promote local sustainable economic development and to screen out foreign investments that jeopardize such development.
  - A rewriting of international trade agreements to redress the inherent inequities of the world trading system.
  - A commitment to high quality official development assistance and the use of revenues from a Currency Transaction Tax for genuine economic and social development.
  - A commitment to develop effective global governance that will support responsible international financial activity, particularly with regard to capital flows and tax havens.
  - Immediate cancellation of 100 per cent of the debts of low-income countries and an end to Structural Adjustment Programmes.
  - Acceptance by the international community of the moral and economic arguments for the outright cancellation of illegitimate debt and support for the creation of an independent arbitration tribunal to rule on such debt.
  - A respected place for developing countries in debates about the needed reform of international financial institutions.
  - A genuine transformation of the IMF, the World Bank, the WTO and parts of the United Nations System, leading to responsible global governance at the service of all peoples.

For the ecumenical community, the issues related to financing for development must not simply focus on quantities of financial resources. The debate should focus on justice and, above all, seek to restore right relationships among human communities and between humans and all of Creation.

#### ***V. COOPERATION WITH UNCTAD***

The WCC can cooperate with UNCTAD in the search for an independent arbitration tribunal on debt. Our partners, such as Jubilee 2000 Germany are working on this issue. Others are also working on ecological debt. The latter requires research to determine the indebtedness of the developed countries and the amount that these countries owe the South. Can UNCTAD work with WCC on ecological debt research as well?

The LDCs are a home for over 27 million HIV positive people. In Africa 10,000 people are infected every day and many are dying of HIV/AIDS pandemic. Poverty is the source of the rapid infection in Africa. Without a special focus on Africa, these countries will not eradicate poverty and hence control HIV/AIDS. UNCTAD should identify the Heavily Aids Affected Countries (HAACs) and immediately call for the creation of an emergency programme which will help these countries effectively to deal with poverty. These countries deserve immediate 100 per cent debt cancellation. If trade is to eradicate poverty and hence control HIV/AIDS, its benefits should spread among the world's population, rather than be concentrated in the hands of a few individuals and corporations.

In the area of trade, The WCC can work closely with UNCTAD particularly on TRIPS where LDCs can be enabled to produce cheap drugs for the mitigation of HIV/AIDS. The Ecumenical Advocacy Alliance has a Strategy Group on Aids. Under the programme of indigenous people there is a need to recognize and protect their natural knowledge on medicinal and other food plants.

Research work could also be done jointly with UNCTAD in this area. Another strategy group works on trade issues with a particular focus on advocating the recognition of economic, social and cultural rights in trade. Poverty eradication and food security are the main foci.

## ***VI. CONCLUSIONS***

At the general global level, the ecumenical movement questions the moral, ethical and equity issues in trade and finance. Can WCC and UNCTAD engage jointly in discussing the neo-liberal economic paradigm? Is this paradigm going to save humanity and our planet earth?

This paper has outlined alternative approaches to development more closely aligned with our belief that development must foster just, participatory and sustainable communities. Much can be learned from the United Nations Development Programme's human development approach and the African Alternative Framework of the U.N. Economic Commission for Africa. Further work on new models for development is needed and requires participation from civil society organizations around the globe.

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## **CRUCIAL DEVELOPMENT ISSUES AND THE FORTHCOMING UNITED NATIONS CONFERENCE ON FINANCING FOR DEVELOPMENT: ARE POLICY OPTIONS IN THE INTERNATIONAL SYSTEM SHRINKING?**

*by*  
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*and*  
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### ***I. INTRODUCTION***

The months since 11 September 2001 have been marked by heightened tensions, increased mistrust, and a growing awareness of the interconnectedness of the world. The anti-globalization movement, which paused after the attacks, is regrouping and growing and will continue its drumbeat of protest in 2002. The world is at a crossroads and the decisions made at the Financing for Development Conference will thus have a lasting influence on the path we take.

### ***II. AID FUNDING***

There is a growing consensus that achieving the Millennium Goals will require a substantial increase in official development assistance (ODA). In 2000, the U.N. Secretary-General, Kofi Annan, launched a Global AIDS and Health Fund, aiming to raise US\$ 7-10 billion to fight HIV/AIDS, malaria and tuberculosis. By the end of that year, less than US\$ 2 billion had been committed. In November 2001, the British Chancellor of the Exchequer, Gordon Brown, called for an extra US\$ 50 billion per year in aid funding.<sup>64</sup> This was met with a cool response from Washington.

It is clear that the current level of aid funding is woefully inadequate. When the Millennium Goals were first launched as International Development Goals by the Development Assistance Committee of the OECD in 1996, the average level of ODA given by OECD countries was 0.3 per cent of their combined GNP. By 2000, when the targets already seemed unreachable, it had fallen to 0.22 per cent. This figure is an all-time low - and a return to 1997 levels when this nadir was first reached. Only five OECD countries reached the U.N. target of 0.7 per cent of GNP in 2000: Denmark, Norway, the Netherlands and Sweden and Luxembourg.<sup>65</sup> However, there are some encouraging signs as recognition grows of the developmental crisis facing the world. In particular, the British Government's real increase in ODA of 35.6 per cent in 2000 is to be commended.

There are many specific areas in urgent need of increased funding, but for space reasons we will highlight just five of these.

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<sup>64</sup> Brown, G. (2001). "Speech Given by Chancellor of the Exchequer, Gordon Brown, to the Federal Reserve Bank, New York", New York, 16 November.

[http://www.hm-treasury.gov.uk/Newsroom\\_and\\_Speeches/Press/2001/press\\_126\\_01.cfm](http://www.hm-treasury.gov.uk/Newsroom_and_Speeches/Press/2001/press_126_01.cfm)

<sup>65</sup> OECD (2001). *OECD in Figures: Statistics on the Member Countries*, OECD, Paris, 92 pp.

### A. Education

Education is one of the keys to a nation's development and a decent life for poor children. A literate and educated population is by no means a sufficient condition for prosperity, but it is without doubt a necessary condition. It is not just that a literate population is a precondition for a skilled workforce – with nurses, doctors, engineers, accountants, agricultural extension officers etc., but education also improves the lives of the very poorest people. When poor people can read, they can also more readily feed their children, understand health issues and medication instructions, avoid falling into debt with moneylenders, defend themselves against fraudulent claims on their land and so on.<sup>66</sup> Moreover, it has also been repeatedly demonstrated that one of the surest ways to reduce poverty, under-5 years mortality and gender disparity, and to increase national well-being and productivity, is to educate girls.<sup>67</sup> Education in fact has one of the highest 'returns' on investment of any sector.<sup>68</sup> This is why the international community committed itself to achieving universal primary education in all countries by 2015 and the elimination of gender disparity in primary and secondary education by 2005.<sup>69</sup>

### B. Health

Poor health is one of the greatest drags on developing countries. Tropical diseases such as malaria continue to kill millions, tuberculosis is rife, and the AIDS pandemic is wiping out entire generations in Africa and parts of Asia. In December 2001, the World Health Organization's Commission on Macroeconomics and Health released its report, showing that an extra investment of US\$ 66 billion in health each year in developing countries could save eight million lives per year and pump an extra US\$ 360 billion into the world economy. The report wryly notes that this would produce a six-fold return on the investment - in case the lives saved were insufficient motivation.<sup>70</sup>

It is worth remembering that the costs of failing to invest adequately in health systems can be astonishing. In the early 1990s, the United States spent nearly US\$ 1 billion treating just 350 cases in New York of multi-resistant tuberculosis from a strain which had migrated from Russia and Asia. Drug resistance thrives under poor drug control regimes endemic in countries with gutted health systems and it is a problem that will grow unless action is taken.<sup>71</sup>

### C. A safer world for children

In 2001, World Vision launched a major campaign aimed at ending exploitation, abuse and violence against children. The campaign, *Imagine a World Safe for Children*, highlights a problem that receives far too little attention in discussions of Finance for Development, and one which

<sup>66</sup> See, for example: Bruno, M., Ravallion, M. and Squire, L., (1995). "Equity and Growth in Developing Countries: Old and New Perspectives on the Policy Issues", Working Paper 1563, Washington DC: World Bank, 30 pp. (January).

<sup>67</sup> See the various reports on the U.N. Education Conferences at Jomtien 1990 and Dakar 2000 and Haveman R, and Wolfe, B (1984). "Schooling and Economic Well-Being: The Role of Non-market Effects", *Journal of Human Resources*, Vol. 19, No. 3, pp. 377-407.

<sup>68</sup> See, for example: Psacharopoulos G (1994). "Returns to Investment in Education: A Global Update", *World Development*, Vol. 22, No. 9, pp.1325-1343, (September).

<sup>69</sup> DAC (1996). "Shaping the 21st Century: the Contribution of Development Co-operation", May, Development Assistance Committee of the OECD, Paris, 20 pp, (May).

<sup>70</sup> Sachs, J.D. ed. (2001). *Macroeconomics and Health: Investing in Health for Development*, Report of the Commission on Macroeconomics and Health; World Health Organization, Geneva, 200 pp.

<http://www3.who.int/whosis/menu.cfm?path=whosis,cmh&language=english>

<sup>71</sup> See: Parris, B., (2001) "In the Eye of the Storm", *OECD Observer*, No. 229, pp. 40-41, (November).



leaves lasting physical and emotional scars that cripple communities and perpetuate violence. No nation can develop that leaves violence against children unchecked:

Around the world, children are being beaten, abused, raped, exploited, tortured, mutilated and emotionally traumatised. Some 1 million children work in the Asian sex trade; some 300,000 are child soldiers; another 2 million girls between 4 and 12 undergo genital mutilation each year; in at least 11 countries there is clear evidence that children are being tortured by the state authorities; in too many countries the death penalty for those under 18 remains a legitimised state practice.<sup>72</sup>

Far more resources need to be allocated for preventing violence against children, for counselling and rehabilitation programmes for trauma victims and demobilised child soldiers, and for reform of legal and welfare systems which retraumatise children. Poverty Reduction Strategy Papers in particular should include plans for child protection.

#### *D. Land reform and property rights*

Legal titles to land and property empower the poor, increasing their security and their sense of identity. They also greatly improve gender equity, environmental sustainability, incentives for improvement and investment, access to services, and reduce business costs. In his book *The Mystery of Capital*, the Peruvian economist, Hernando de Soto, emphasizes the importance of the 'extra legal' or 'informal' sector. He argues that institutional reform to formalize the extra-legal assets of the poor can be a major force for poverty eradication through its facilitation of capital formation.<sup>73</sup>

'Capital' is what fuels the market system in the developed countries enabling it to generate new wealth that can lift people out of poverty. The formal legal property system fixes the economic potential of assets, enabling them to exist, not just in a concrete physical form, but also in a parallel, abstract form as 'capital' - which can be harnessed for productive activity. The property system does this by concentrating, describing and organizing in a standardized way, all the economically important information about an asset - its type, its location, its dimensions, who owns it, etc - and this enables it to be traded, divided, used as collateral for a loan, or used as a fixed address for services.

De Soto argues that there is some US\$ 9.3 trillion in 'dead' capital in developing countries, which cannot be used productively because it is locked up in 'extra-legal' property. In Peru, such assets of the poor are worth an estimated US\$ 90 billion, 11 times the total value of equities on the Lima Stock Exchange and 40 times the sum of all foreign assistance to Peru since the Second World War. In Mexico, the estimate is US\$ 315 billion, 7 times the worth of PEMEX, the national oil company. In Egypt, the assets of the poor total US\$ 240 billion, 55 times greater than the value of direct foreign investment over the past 200 years, including the cost of the Suez Canal and the Aswan Dam.<sup>74</sup>

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<sup>72</sup> Gow, M. ed. (2001). *A Safe World for Children: Ending Abuse, Violence and Exploitation*, World Vision International, Monrovia, CA, 53 pp.

<sup>73</sup> De Soto, H. (2000). *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, Black Swan, London, 276 pp.

<sup>74</sup> De Soto (2000). *op.cit.*, pp. 1-35.

The legal mess in most developing countries also acts as a massive disincentive for the poor to operate legally, and this fuels corruption at all levels. As an experiment, de Soto and his team set up a garment workshop in Lima according to the letter of the law with all the right paperwork. It took them 289 days and cost US\$ 1,231 - thirty-one times the monthly minimum wage. In the Philippines they found that to formalize informal urban property would take between 13 to 25 years, and 168 steps involving 53 public and private agencies. In Egypt they found that it took 650 days to open a bakery legally.

The legal property systems were developed in the West over many, many decades, to a large extent by 'formalizing' existing extra-legal property arrangements. The formal legal system took a long time to catch up with what was happening on the ground. De Soto and his researchers undertake field work to document assets and to discover the 'people's law' as it operates in the informal sector in a given location. They then work with government and other institutions to 'formalize' it by integrating this 'people's law' into the formal legal system and simplifying bureaucratic procedures. To work at a national level, it requires political leadership and careful diplomacy with other interest groups:

The former communist nations and the Third World are exactly where Europe, Japan and the United States were a couple of hundred years ago. Like the West, they must identify and gather up the existing property representations scattered throughout their nations and bring them into one integrated system to give the assets of all their citizens the fungibility, bureaucratic machinery and network required to produce capital.<sup>75</sup>

This essential work takes money, training and political will, but the rewards are enormous. This issue also highlights the need for flexibility and sophistication on the part of donors and multilateral institutions who should not simply assume the existence of Western institutional frameworks when advising on development policy or designing conditionalities.

#### *E. Technical and analytical capacity building*

Technical capacity building in developing countries should go beyond mere assistance on the implementation of agreements, to include assistance for social and economic policy analysis and negotiation. Comprehensive cost-benefit analysis (CBA), in particular, is generally woefully neglected in policy debates. Issues are often debated on the basis of inadequate general equilibrium models, which assume perfect competition, perfect information, costless transactions, clearly defined property rights and so on. Instead, policies should be evaluated in a comprehensive economic and social cost-benefit framework that includes appropriate shadow prices (especially for government revenue, foreign exchange and labour), appropriate discount rates and appropriate distributional weights.

Shadow prices are prices calculated to take account of the true opportunity costs of resources and inputs and any externalities resulting from the project. These can be *negative*, such as pollution, congestion or the crowding out of domestic capital, or *positive*, such as technological spillovers or higher productivity. Appropriate social discount rates are essential because it is well known that private rates of return and discount rates can diverge markedly from optimal social rates of return and discount rates. Private interests tend to discount the future more heavily (i.e. use higher discount rates) than is optimal from a broader social perspective, especially in an environment

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<sup>75</sup> Op.cit., p. 192.

where property rights or regulations are ill-defined and a ‘tragedy of the commons’ effect can ensue.

Appropriate distributional weights should be used to account for equity considerations. An investment project which yields 100 already-rich people \$ 50,000 each, is by no means as developmentally effective as one yielding 50,000 very poor people \$ 100 each. To ignore distributional weights is to assume an effective distributional weight of ‘1’ for the ‘average’ income level. This assumes ‘a dollar is a dollar’, and that an extra dollar’s benefit to a rich person is identical to an extra dollar’s benefit to a very poor person. This may make the calculations easier, but it ignores the vast empirical evidence to the contrary and the entire economic theory of diminishing marginal utility of income. The over-arching context for the cost-benefit evaluations should be the country’s own development strategy, incorporating fundamental goals such as social development, poverty reduction and industrial diversification.

Little and Mirrlees, two of the founders of cost-benefit analysis, were very critical of its woeful neglect by the World Bank in its own projects at the Bank’s 1990 Annual Bank Conference on Development Economics. This neglect, as they emphasized, was a “shattering indictment” of the Bank’s operations, because shadow prices are nothing less than the marginal effects on social welfare of any quantity change. They are the true opportunity costs of a resource use: “Shadow prices and cost-benefit analysis are inseparable. Sometimes actual prices coincide with their shadow values, as if on the equator in the midday sun. Only then is financial analysis also cost-benefit analysis.”<sup>76</sup> Judging by the number of projects with good cost-benefit analyses on the Bank’s project database, we are not convinced that the situation has improved much in the last decade and CBAs barely rate a mention in WTO trade policy or IMF conditionality debates. Developing country governments themselves need the capacities to undertake CBAs of major policy reforms so that proposed development plans or loan conditionalities can truly be evaluated in such a way as to ensure that the country, and the poor actually benefit.

### **III. THE MORASS OF DEBT RELIEF AND PRSP**

From an initial promise to rebuild IMF and World Bank conditionality in a participatory manner directed towards poverty reduction, the Poverty Reduction Strategy Papers (PRSP) experience so far has been disappointing. World Vision has documented numerous cases where the participatory framework has broken down.<sup>77</sup> The PRSP process was an opportunity to introduce a new approach to poverty reduction that would focus energies and resources on the poor. The concept is itself fundamentally sound and much of the material produced by the World Bank and the IMF over the last two years has been helpful. If steps are taken to address four structural problems that currently prevent the rhetoric and reality of PRSPs from coinciding, then the potential is real. These issues are: economic conditionality, liberalization of Northern markets, government capacity and aid levels. But even dealing with these will not guarantee success. The context problems that surround PRSPs are made worse by the weaknesses identified within the process itself. The successful implementation of PRSPs will still depend on the quality of the design process where there have been major flaws.

<sup>76</sup> Little, I.M.D. and Mirrlees, J.A. (1991). "Project Appraisal and Planning Twenty Years On", in *Proceedings of the World Bank Annual Conference on Development Economics 1990* ed. Fischer, S., de Tray, D. and Shekhar, S., Washington D.C.: World Bank, pp. 351-382.

<sup>77</sup> World Vision will shortly be releasing a major report on the PRSP process, entitled: *Masters of their own Development?* edited by Alan Whaites. This section is based on that report.

World Vision is also aware from its direct experience that country-ownership varies enormously. Unhappy experiences on the part of NGOs with participatory processes have also eroded the potential sense of ownership which might have existed on the part of civil society – reducing the likelihood of a set of important development actors joining the PRSP effort. Just as important is the issue of government capacity and the indicators to date are that this will be one of the key stumbling blocks that may derail PRSPs.

Many of these issues realistically should have been predicted by the World Bank and IMF, with programmes put in place to address the issues involved. There has been action to deal with some of the most obvious issues, indicating a welcome degree of flexibility and a willingness to hold workshops, produce papers or change the sourcebook. Even so, too often the impression has been that the Bank and Fund have tried solve problems only after the underlying issue had already compromised many of the PRSP processes already underway. The PRSP review should therefore seek urgent action to improve the framework being used for ongoing PRSP processes and to address some of the deeper flaws within the conceptual approach. This latter need is particularly acute in relation to the macroeconomic framework, although a fuller appreciation of the need for capacity-building is also critically important. World Vision would therefore make the following recommendations for the continuing evolution of PRSPs:

#### *A. Timing*

The implicit motivators for a rushed process should be explicitly counteracted with clear recommendations that PRSP design processes must be focused on good design practice rather than on speed. As a result, data-gathering and participation should never be compromised in order to produce a draft paper more quickly. The continuing linkages between PRSP development and debt-relief timing needs to be urgently reviewed.

#### *B. Data*

The quality of data gathering and poverty mapping must be drastically improved.

#### *C. Immediate action on government capacity*

The World Bank and IMF have a clear responsibility to be more proactive in the capacity-building of key parts of state structures. This should also be extended to organized capacity building for national level civil society that goes beyond occasional workshops and specialist websites.

#### *D. Advocacy on resources*

The IMF and World Bank must greatly increase their advocacy for increased development resources from the North, taking advantage of the United Nations. Finance for Development Conference as an early opportunity in this regard. Continued calls for Northern trade liberalization are also important. The World Bank and IMF should also make clear the insufficiency of HIPC and the need for substantial increases in the level and extent of debt relief. Debt relief should be increased based on a realistic analysis of in-country economic conditions, not simply cookie cutter donor prescriptions, such as debt sustainability analysis.

### *E. Participation*

This must not just be part of the public relations process of the PRSP initiative. It must also be a genuine attempt to develop the most effective strategies that are possible. Establishing criteria for the quality of participation on the part of the IMF/World Bank is not sufficient and would likely only reduce governmental ownership of the participatory process. Capacity-building for participation is perhaps the most effective contribution that can be provided by the Bretton Woods institutions, both for the governments involved and also for civil society organizations. A sign of good intentions in this regard would be to ensure that essential documents are at least available in the major languages of the countries involved.

### *F. Rethinking the macroeconomic framework*

The IMF review of its streamlining of conditionality was remarkable for the fact that the streamlining addressed only the quantity rather than the quality of conditionality (and even in this regard it has not been a great success). The IMF should urgently move to a target-based approach to conditionality based on medium-term policy rather than short-term attempts to direct the main instruments of economic policy. There is also a serious question as to whether the IMF is equipped to effectively manage a lending instrument such as the Poverty Reduction and Growth Facility (PRGF). Early signs are that action is needed to make the PRGF concessional, more appropriate for development, better linked to PRSPs and less focused on stabilization.

Last year's co-recipient of the Nobel Prize in Economics, Joseph Stiglitz, has repeatedly and sharply criticized the reigning neo-liberal paradigm. Recently, in a keynote speech to the ILO Global Employment Forum, Stiglitz blasted the IMF for advocating contractionary fiscal policies and tight money during recessions.<sup>78</sup> The current crisis in Argentina was at least partly triggered by IMF demands. No OECD country economy in the midst of a boom, let alone a recession, could survive a 20 per cent budget cut in one year, as the IMF was requiring of Argentina in late December 2001.

### *G. International Financial Institution (IFI) Practice*

Increased accountability and transparency are needed at the World Bank and IMF to foster public confidence in their commitment to participatory processes and country ownership. The IFIs must also prove themselves willing to support heterodox approaches to pro-poor development, politically and financially, drawing on experiences in areas where poverty has successfully been reduced. The Bretton Woods institutions and donor governments must also be more willing to strengthen democratic institutions to encourage national accountability for the PRSP process, policies and results.

PRSPs are most likely to founder on the structural problems that underpin all the negative issues encountered to date. Dealing with these structural problems is not simply a question of adapting the process of PRSPs, but depends instead on fundamental changes in IFI and donor government policy. PRSPs cannot succeed without action to improve economic conditionality, liberalize Northern markets, build government capacity and increase levels of aid.

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<sup>78</sup> Stiglitz, J.E., (2001). "Employment, Social Justice, and Societal Well-being", Keynote address at the ILO Global Employment Forum, Geneva, 1-3 November, 19 pp.

<http://www.ilo.org/public/english/employment/geforum/download/stiglitz.pdf>

#### ***IV. THE INTERNATIONAL TRADING SYSTEM***

World Vision remains concerned by the fundamental injustices of the current international trading system: the power imbalances in the ‘consensus’-driven WTO, the massive EU and U.S. subsidies to agriculture; the barriers to entry of developing country goods and services into developed country markets, especially of primary products, textiles, clothing and footwear; the escalating tariffs which lock developing countries into low value-added exports; and the innumerable non-tariff barriers to developing country exports, such as excessive and unwarranted sanitary and phytosanitary restrictions, which are all too often based more on protecting domestic markets than on considerations of domestic health. Against the wishes of many developing country governments, a new trade round was launched in Doha in November, with an expanded agenda that foreshadows negotiations on investment and competition policy.

More fundamentally, we remain opposed to the virtual ‘one size fits all’ approach which pushes liberalization and increasingly restricts the flexibility of current developing countries - not allowing them the flexibility enjoyed by Germany, Japan, United Kingdom, United States, or South Korea when they were developing their diversified industrial bases.

#### ***V. CONCLUSION***

Perhaps the most pressing problem for developing countries, aside from their sheer lack of resources, is the shrinking number of policy options open to them in the international system, under the ‘policy coherence’ mantra. Ironically this is occurring at a time of vigorous and creative debate in academic policy circles over optimal economic policies, especially for developing countries, amidst a growing recognition of the need for focusing on highly country-specific approaches. This restrictive trend must be reversed to allow developing countries the space, resources and policies needed to fight poverty effectively. We are not confident that this ‘meta-issue’ will be allowed to be dealt with adequately in Monterrey.

# GENDER AND DEVELOPMENT DIMENSIONS OF THE UNITED NATIONS INTERNATIONAL CONFERENCE ON FINANCING FOR DEVELOPMENT

**A civil society viewpoint focused on financing for gender-sensitive, people centred, sustainable development**

by

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## I. INTRODUCTION

This paper is focused on the Financing for Development (FfD) process from a gender civil society perspective and also provides comments on the consensus document that resulted from the Fourth FfD 2002 Preparatory Committee deliberations: the “*Draft Text of the Monterrey Consensus: Confronting the Challenges of Financing for Development: A Global Response*”.

### A. UNCTAD, civil society and financing for development

UNCTAD convened in a timely fashion the UNCTAD-Civil Society Dialogue on these selected, current, critical development issues in December 2001 and the continuation of UNCTAD/civil society dialogues is welcome. The importance of UNCTAD in the FfD process and follow-up after March 2002 needs to be underlined, although UNCTAD is not identified as being one of the main ‘key stakeholders’ in the forthcoming FfD Conference together with the World Bank, International Monetary Fund, World Trade Organization, business and civil society, but has been grouped with other organizations of the U.N. system. UNCTAD should have an important and active role in the FfD process and its follow-up for several reasons: it certainly has a comparative advantage with regard to its analytical work on market access and other trade issue analysis and some forms of technical assistance, as well as in its work on investment issues. The UNCTAD focus is on development; it strives to take a holistic approach; and the principle of ‘gender and development’ as a cross-sectoral issue in UNCTAD’s work programme is an official policy.

These essential characteristics serve to give UNCTAD an obvious, almost ‘built-in’ role in FfD, which deals with six mainly macroeconomic thematic issue areas: (a) mobilizing domestic resources; (b) mobilizing international resources and foreign direct investment (FDI); (c)

<sup>79</sup> The author is a political scientist and a development and gender specialist and has been engaged for some years in focusing on women’s economic rights and macroeconomic issues, in particular international trade and development issues. She is the Chairperson of a Danish development NGO (KULU - Women and Development) that has given the Financing for Development (FfD) process a high priority, and also functions as the Nordic and European Focal Point on Gender and FfD. She also represents KULU as Chairperson of the International Coalition for Development Action (ICDA), that has consultative status at UNCTAD, as well as being the Senior Advisor for WEDO, the Women’s Environment and Development Organization’s Economic and Social Justice Program that has also given high priority to the FfD process. With her WEDO team, she has been facilitating the daily Women’s Caucuses participating in the FfD Preparatory Committees and coordinating activities and actions, such as the daily NGO Caucuses, with other civil society networks and NGOs at and in between the meetings of the Preparatory Committees.

international trade; (d) international development cooperation and official development assistance(ODA); (e) debt; and (f) systemic issues.

The FfD Women's Consultation and Caucus consider interlinkages as a seventh issue area because the six issue areas indicated above are inextricably linked, the policies followed in each area should be in coherence with one another, and the thematic areas should receive equal priority. This FfD package provides huge, but necessary, challenges for both UNCTAD and its Member States and for civil society. The opportunity for dialogue on these issues and cooperation in tackling them is welcome.

### *B. Financing for development from a gender viewpoint*

First, it must be stated that the United Nations FfD process is an innovative and absolutely essential one, needed to promote and implement the action plans and initiatives introduced in the last decade of U.N. conferences and summit meetings. The eradication of poverty is the overarching objective of the FfD process. The concept and intentions of the process and its holistic and coherent approach to the six interlinked issue areas are the appropriate focus when working for poverty eradication, gender equity and equality, and women's and girls' empowerment in a globalizing world. Gender equity/equality and women in development (WID) concerns, including fair income distribution and access to productive and human development resources are, and must be, a core, cross-cutting priority and dimension in all of the six FfD issue areas, if the objective is to promote and secure finances for a *gender-sensitive, people-centred, sustainable development for all parts of the globe*, this being the official definition of "development", which the FfD process is aiming to finance, according to the agreed Draft Text of the Monterrey Consensus (January 2002, paragraph 5).

All the macroeconomic policies and programmes discussed in this process and executed by most of the stakeholders have both a social and an economic content and a social impact affecting differently the realities and livelihoods of women and men. This social content and impact also influences structural, racial, and cultural barriers to the pursuit of gender equality and economic and social justice. It is therefore critical to integrate and mainstream gender into the spirit and concrete intentions of the FfD process and its outcome.

The FfD process should, in fact, be labeled "*Financing for a Gender-Sensitive, People-centred, Sustainable Development*". Although this is a wordy definition, perhaps this more explicit title would have been a better guiding principle and framework for the whole process because, unfortunately, this core concern of gender justice and the realities for women and girls are not reflected systematically in the draft outcome document: the Draft Text of the Monterrey Consensus. In fact, this core concern is only occasionally visible in the document, and actual commitments to what is contained in the document are very few indeed. Although the Consensus text contains some definitely positive elements from a Women's Caucus viewpoint, it is in general a substantively weak document.

## **II. THE JANUARY 2002 PREPARATORY COMMITTEE MEETING**

However, it is a fact that this January Preparatory Committee meeting ended with the production of a: Draft Text of the Monterrey Consensus. It was announced during a press conference called by the two co-Chairs on 28 January 2002, at the United Nations headquarters building in New York. The document will be formally adopted by the Preparatory Committee in



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February 2002, so that it can then be formally sent to the International Conference on Financing for Development (ICFfD) in Monterrey.

This meeting had originally been scheduled to end on Friday 25 January, but it ran over until the late afternoon of 27 January. Late in the morning of 28 January, at the press conference announcing that a consensus document had been negotiated, the two co-Chairs, Ambassadors Ruth Jacoby (Sweden) and Shamshad Ahmad (Pakistan), stated that the success of Monterrey would not rest solely on this document. They highlighted the fact that the document would set in motion in Monterrey a process that would embrace a number of events: the annual intergovernmental spring meetings of ECOSOC and the Bretton Woods Institutions, which would also involve the WTO; a dialogue with civil society and the private sector; a United Nations General Assembly biennial high-level dialogue on “international cooperation for development through partnership” to be reconstituted to an “intergovernmental focal point for the general follow-up of the FfD Conference and related issues”; and annual reporting by the United Nations, preferably in close cooperation with the World Bank, IMF and WTO. All of this would ensure further work on the issue areas. The co-Chairs also stated that the potential success of the FfD process would go beyond the explicit commitments contained in the consensus document.

Some of the G77 members considered that it was a fundamental achievement in itself to reach a consensus providing such a platform from which to launch a continued process in Monterrey, hoping or counting on the process to build a momentum of its own. The European Union and other U.N. members also considered it a success to achieve a consensus document and a focus on what lies ahead. However, the downplaying of the consensus document itself by the governmental stakeholders in favour of focusing on what is yet to come at Monterrey and its subsequent follow-up, deflects attention away from the weakness in the document’s substance. It seems to be regarded as the currently best-possible result obtained from a multi-year dialogue process where the U.N. Member States know each other’s divergent positions well, and all parties in the process have both gained and lost.

### ***III. THE GENDER-RELATED OUTCOME OF THE JANUARY 2002 PREPARATORY COMMITTEE***

The FfD Women’s Caucus (WC) has been working to deepen a gender analysis of the FfD themes<sup>80</sup>, to mainstream gender into the process and issues, and ensure the visibility of women’s and girls’ rights and needs as a concrete contribution within the framework of the official negotiations. Although the WC participants have varied, their number has increased and the geographic representation has improved, since the FfD consultations and the four Preparatory Committees were launched during the period November 2000 to January 2002. The WC has generally supported – from a gender and WID perspective – the key NGO demands. These include public debt cancellation for poor indebted nations; a debt arbitration mechanism with private banks, particularly for middle-income developing countries; a currency transaction tax that could finance development and control financial speculation; increased development assistance controlled by recipient countries; the limitation of the role and the agenda of the WTO to one that all WTO Members genuinely determine and direct in the interests of their sustainable development; challenging the blind belief in the roles of trade and foreign direct investment as the principle mechanisms for development financing; and advocating an increased role for the United Nations in

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<sup>80</sup> This section is partially based on an interview with Carol Barton, WICEJ coordinator, for the Association for Women’s Rights in Development (AWID) and WICEJ, for an *AWID Newsletter*, December 2001.

leading the financing for development efforts and in holding international economic institutions (such as the World Bank, IMF, and WTO) accountable.

#### A. *The positive substance of the Outcome*

To begin with the positive results, gender mainstreaming is included in the consensus document(DC) in paragraph 58, which encourages stakeholders to “*mainstream the gender perspective into development policies at all levels and in all sectors*” in order “*to strengthen the effectiveness of the global economic system’s support for development*”. This particular bullet point was quickly adopted in the plenary session, with no dissenting statements or objections from the developing or developed countries. The major groups were willing to accept this necessity, and this positive support from all of the Preparatory Committee members will be important in the future work with development cooperation.

The commitment to a follow-up process in the “Staying Engaged” section of the CD (paragraphs 60-64), which provides a means for increased cooperation between the Bretton Woods institutions and the United Nations and its agencies on implementing the Conference results, is one of the few positive commitments made in this document.

It is positive that social and gender budgeting is included in CD paragraph 17, although only included as an example of “reinforcement of national efforts in capacity building in developing countries and countries with economies in transition”. A number of governments and organizations (such as Mexico and the ILO) supported the use of gender budgeting in their presentations.

Under the “mobilizing domestic resources” section, “protecting labour rights and the environment” is briefly listed together with “empowering women” in CD, paragraph 9, as actions to do “while” pursuing appropriate policy and regulatory frameworks “... in a manner consistent with national laws to encourage public and private initiatives, ...”. The latter phrase is a problematic qualification in relation to women’s empowerment and labour rights, but the formulation leaves leeway for the interpretation that this qualification is not directly linked to the actions listed. Finally, the definition or description of “development” in CD, paragraph 5, as *gender-sensitive, people-centered, sustainable development for all parts of the globe* is a positive fundamental framework for the document and objective for the process.

However, in spite of these positive items, the success of the “encouragement” to “mainstream gender into all development policy” included in the document is tempered by the fact that this consensus version is watered down from an earlier and more specific formulation calling for gender mainstreaming in international financial and development institutions. This version does not include gender mainstreaming in macroeconomic policies as well as development policies. Gender mainstreaming in both types of policy is absolutely crucial for the FfD process and its objectives of poverty eradication and sustainable development. Without this, some of the critical “challenges of FfD” will not be addressed, and this is not consistent with the aim “to address the challenges of FfD” as stated in CD, paragraph 1.

Indeed, as mentioned earlier, the CD only contains eight references to gender and women, including paragraph 58, in spite of the many opportunities for so doing (see annex).

Finally, although it is important that the vague contours of a follow-up process is definitely included and agreed upon in the CD, it fails to give a precise mandate and clear role to the United Nations in the governance of global economic relations. The U.N. General Assembly is requested to

accept the role of a focal point, and the Consensus calls for the ECOSOC to be strengthened, which is positive; but the United Nations is not specifically identified as the primary or lead agency in this dialogue and cooperation, although it is the only stakeholder to be given actual tasks in the follow-up activities.

### *B. The negative substance of the Outcome*

From the perspectives of most NGOs and, as already stated, certainly from a gender and WID perspective, the CD is weak. It fails to achieve many substantive outcomes, and contains few commitments. For diplomatic reasons, it appears that a choice had to be made between either a strong contentious or a weak consensus document, and it is weak.

- (a) The language is weak, and most proposals are not concrete enough to actually become operational. This weakness of the language is particularly evident in paragraphs 23, 26, 38, 40, 47, 59, 60, 62 of the CD, which are mainly found in the Trade section which affirms decisions made in Doha, two in the ODA section and the remainder in the Systemic Issues section. The rationale for this language is that the United Nations cannot give directives to independent entities such as the World Bank, IMF and the WTO, in spite of the considerable overlap of their respective memberships and the fact that the United Nations is the most inclusive international system, because these different institutions/organizations have different constitutions and separate governing bodies, as well as varying memberships. The Northern U.N. Members States did not want to “risk losing” the World Bank, IMF and WTO as key stakeholders.
- (b) The balance between the six issue areas is skewed because priority, focus and the obligations are being placed on mobilizing domestic resources, which emphasizes that the responsibility for development is mainly a domestic one, relying on neo-liberal economic policy prescriptions and on trade liberalization and FDI as the external development dynamic. The imbalance in the new global order against small and poor developing countries is not seen as a violation of the right of these countries to development. The burden of sustainable development is squarely placed on the shoulders of developing countries, leaving the responsibility of the international community to be exercised by voluntary actions without elements of obligation. This uneven emphasis and skewed coherence among the issue areas was one of the items of great concern in the “Statement of Concern by the FfD NGO Women’s Caucus to Delegates Regarding the FfD Process and Outcomes”, dated 18 October 2001. It remains a critical concern in the FfD process leading up to Monterrey.

Other deficiencies in the CD may be briefly summarized as follows:

- (a) Cooperation with civil society also has low visibility, especially in the Systemic Issues Section.
- (b) The missed opportunity for establishing a human rights framework for development.
- (c) References to environmental sustainability for development, as discussed in the WSSD process are lacking.
- (d) The existing power relations in global governance are reaffirmed.
- (e) The CD does not establish new measures to increase international tax cooperation.
- (f) The CD weakens the primacy and importance of the Millennium Development Goals, although they are referred to together with “other international development goals”.

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- (g) The CD ignores innovative approaches such as the debate on Global Public Goods and their financing. The original paragraph 37 has completely disappeared from the agreed text due to the impossibility of reaching a compromise among the different parties.
- (h) The language on ODA and international cooperation is weak, mainly due to the opposition of the United States to the approved United Nations goal of a minimum 0.7 per cent of GNI for ODA by donor governments, although references to it are included; but the call to double ODA has been eliminated. The rationale for the European Union to agree to remove the proposed “doubling of the present level of ODA” from the CD, as suggested by the U.N. Secretary-General, is because a doubling would only raise the overall level of ODA to 0,5 per cent and it was preferable to maintain 0.7 per cent as a minimum.

A Statement by the International Chamber of Commerce on behalf of business noted that even a doubling of ODA would fall short of the 0.7 per cent goal, but indicated that the engagement of the private sector would enable success to be achieved in increasing the flow of aid, stating that measurable objectives with clear benchmarks were needed and that private sector activities could support development initiatives by linking ODA and FDI.

However, most of the statements from potential donor countries were focused on using existing funds more effectively, improving the quality of aid without new funds, or moving funding sources around. Although the DC encourages countries to meet the United Nations minimum goal for ODA, there were very few commitments to provide additional funds, aside from single examples, such as the one by the representative of Sweden stating that Sweden’s aid would soon reach 1 per cent of GNP, which unfortunately constitutes an exception. The European Union has adopted an initiative for all its member countries to reach the 0.7 per cent target, but no time frame or concrete proposal has yet been agreed upon.

#### ***IV. THE WAY FORWARD***

The task at hand should be to increase the visibility of gender and WID in the contents of the Monterrey Consensus document, through advocacy and educational events targeted at delegates and NGOs, using gender analysis to point out where gender and WID is buried in the text, that is to interpret it from a gender and WID perspective, in order to promote the objectives of sustainable development and poverty eradication. This would flag areas where gender and WID is not tangible but should be so for implementation purposes. Therefore, the consensus document must be read through ‘gender glasses’.

As a basis for this work, the FfD Women’s Caucus, facilitated by WEDO with support from UNIFEM, has produced a number of advocacy materials. These materials include the Women’s Consultation Recommendations, revised October 2001; the WEDO Women’s Consultation Briefing Series No. 1-7; the WEDO-UNIFEM “Gender Audit of the Facilitator’s Draft Outcome Document for ICFfD” by Dr. Maria S. Floro, all of these dated October 2001.

Some of the gender-oriented possibilities are illustrated below:<sup>81</sup>

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<sup>81</sup> Women’s Consultation Recommendations, revised, October 2001, WEDO, and the WEDO FfD Women’s Consultation Briefing Series No.1-7, produced by WEDO with the support of UNIFEM, October 2001.

### A. *Mobilizing Domestic Resources*<sup>82</sup>

- (a) Develop gender disaggregated analysis of national budgets to obtain the facts about women's labour – paid and unpaid, formal and informal, in comparison with men – from which economic development policies and strategies, that are truly equitable and efficient, can be defined.
- (b) Adopt and enforce transparency measures in external and internal financial decision-making bodies, and government agencies and institutions. Such measures would increase public awareness and involvement in policy-making processes, thus promoting good governance and democracy and reducing incidences of corruption.
- (c) Incorporate gender-aware analyses into all macroeconomic decision-making. Micro-credit alone cannot eliminate the barriers that women face in accessing markets and financial resources. Macroeconomic policies involving trade and loan agreements, agribusiness, land distribution, and tax administration must be developed with awareness and consideration of their gender implications.

### B. *Mobilizing International Resources/FDI*<sup>83</sup>

- (a) Prioritize gender-sensitive sustainable human development as an integral part of economic growth. A mechanism to facilitate this policy could be the establishment of a gender desk in national finance ministries.
- (b) Enact gender and environmental sensitive regulatory frameworks to monitor global capital flows and employment practices of global corporations and multinationals.
- (c) Establish gender-sensitive Sustainability Impact Assessments of public-private sector partnerships that review fiscal and social risks of joint investments and ventures, as well as social responsibility, accountability, transparency and the participation of women's and other civil society organizations and unions.
- (d) Develop a gender-sensitive programme that links small business development with foreign enterprises and that encourages the transfer of information and technology to small businesses and the informal sector.

The NGOs in the Women's Caucus and others are taking on the challenges of the FfD process and working for a committed and responsible follow-up by all stakeholders. In this process, the continued dialogue and cooperation with UNCTAD could be a positive contribution in the many tasks ahead, such as monitoring, data gathering, analysis, gender-sensitive sustainability assessments, strategy development, and gender-balanced capacity building.

<sup>82</sup> Johnson, N: "Mobilizing International Resources: Women's Consultation Briefing Paper", September 2001.

<sup>83</sup> Foerde, J Goodson: Mobilizing International Resources: Women's Consultation Briefing Paper", September 2001.

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Women's Consultation Recommendations (for) U.N. Financing for Development (FfD) Third Preparatory Meeting October 15-19, 2001, NY, revised, October 2001, WEDO.

WEDO FfD Women's Consultation Briefing Series No. 1-7, produced by WEDO with support of UNIFEM, October 2001.

"Statement by the Women's Caucus on the Fourth PrepCom on Financing for Development", January 25, 2002, New York.

"Women's Caucus Priority Points," 18 January 2002, New York.

"Statement of Concern by the FfD NGO Women's Caucus to Delegates Regarding the FfD Process and Outcomes", 18 October 2001, New York.

Maria S. Floro: "Gender Audit of the Facilitator's Draft Outcome Document of the International Conference on Financing for Development," in preparation for the 2002 U.N. Conference on Financing for Development (FfD) for UNIFEM, 15 October 2001, New York, WEDO-UNIFEM.

Information available on the WEDO website: [www.wedo.org](http://www.wedo.org) or UNIFEM's: [www.unifem.undp.org/ffd](http://www.unifem.undp.org/ffd).

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 ANNEX

***VISIBILITY and COMMITMENTS expressed in the  
Monterrey CONSENSUS DOCUMENT***

 A. *VISIBILITY of GENDER and WOMEN*
*I. Preamble*

“*sustainable, gender-sensitive, people-centered development* – in all parts of the globe is essential.” (para. 5).

*Domestic Resources*

“We will pursue appropriate policy and regulatory frameworks ... in a manner consistent with national laws to encourage public and private initiatives, including at the local level, and foster a dynamic and well-functioning business sector, while improving income growth and distribution, raising productivity, *empowering women*, and protecting labour rights and the environment.” (para. 8).

“... *empowering women and protecting labour rights and the environment.*” (para. 9).

“... social services and social protection, ... which take special care of children and older persons and are *gender sensitive* and fully inclusive of the rural sector and all disadvantaged communities — are vital to enabling people, especially people living in poverty, to better adapt to and benefit from changing economic conditions and opportunities.” (para. 13).

“Microfinance and credit for micro, small and medium-size enterprises, including in the rural areas, *particularly for women* ...” (para. 16).

“...capacity building ... in areas such as: ... human resource development, ... social and gender budget policies ...” (para. 17).

*Mobilizing International Resources for Development*

“... businesses, for their part, are *expected to engage as reliable and consistent partners* in the development process. We urge businesses to take into account not only the economic and financial but also the *developmental, social, gender and environmental implications* of their undertakings.” (para. 21).

*Systemic Issues*

In order “to strengthen the effectiveness of the global economic system’s support for development” as one of the bullet points the governments encourage stakeholders to *‘Mainstream the gender perspective* into development policies at all levels and in all sectors.” However, this was watered down from an earlier and more specific call for gender mainstreaming in international financial and

development institutions; and thus does not include macroeconomic policies along with development policies. (para. 58).

### *Trade, ODA/International Cooperation, and Debt*

Gender and WID concerns and demands are invisible. Therefore there are many gaps where the gender and WID dimension as a cross-cutting and qualifying concern in these issue areas should and could have been emphasized.

## B. COMMITMENTS

### I. Intentions are described in the Preamble

### II. Leading Actions

#### *International trade as an engine for development*

“... reaffirm our *commitment towards trade liberalization*.... WTO’s decision to place the needs and interests of developing countries at the heart of the WTO Work Programme, and *commit ourselves to their implementation*.” (para. 23).

“We *will implement the commitments* made in Doha to address the marginalization of the least developed countries in international trade...”.(para. 26 et al).

#### *Increasing international financial and technical cooperation for development*

“... we agree to study, in the appropriate fora, the results of the analysis requested from the Secretary-General on possible innovative sources of finance, noting the proposal to use SDR allocations for development purposes.” (para. 38).

“We *will ensure* that the long-term resources at the disposal of the international financial system, including regional and sub-regional institutions and funds, allow them to *adequately support* sustained economic and social development, *technical assistance for capacity-building, and social and environmental protection schemes*.” (para. 40).

#### *Addressing Systemic Issues*

“... We also *underscore our commitment to sound domestic financial sectors*, which make a vital contribution to national development efforts, as an important component of an international financial architecture supportive of development.” (para. 47).

“... We *reaffirm our commitment* to enable the General Assembly to play effectively its central role as the chief deliberative, policy-making, and representative organ of the United Nations, and to strengthen further the Economic and Social Council to enable it to fulfil the role ascribed to it in the U.N. Charter.” (para. 59).



### III. Staying Engaged

“... We thus *commit to keep ourselves fully engaged*, nationally, regionally, and internationally, to *ensure proper follow up of the implementation of agreements and commitments reached* at this Conference, and to continue building bridges between development, finance, and trade organizations and initiatives, within the framework of the holistic agenda of the Conference...”. (para. 60).

“To support the above at the national, regional and international levels, *we resolve: ...*”. (Para. 62).

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## ***SPIRITUALITY: DEVELOPMENT'S FORGOTTEN SOUL***

by  
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### ***I. THE OBJECTIVES OF ECONOMIC AND SOCIAL DEVELOPMENT***

The broad aim of development, in the sense of social progress and achieving better standards of living for all people, is one that has been at the heart of the work of the United Nations family of organizations and agencies since its foundation. A narrower concept of development has nevertheless been prevalent in many quarters, often equating development with little more than economic growth or standing alone. In saying this, it should not be forgotten that many people have experienced tremendous improvements in their living conditions as a result of this focus on economic growth and the opening and freeing of markets and trade. And it is certainly the case that financial capacity is an indispensable resource in combating poverty and achieving security of many kinds. However, high-speed economic progress and liberalization may itself foster social insecurities and instability if it is not taking place within the context of a robust and balanced institutional framework.

Furthermore, FDI flows understandably look for profit rather than where they may be needed, and so can be fickle. Likewise, predatory speculation and one-sided trade transactions point to the uncaring face of market forces – the very visible hand of unenlightened self-interest in an uneven playing-field that leaves many people marginalized and excluded. Although financial aid and support can lend a welcome helping-hand, it is not tenable to think that people must mould themselves to the unforgiving contours of imposed economic systems rather than such systems being at the service of and bringing benefit to people. While such systems may work towards ensuring that individuals have the right to enjoy the fruits of their own labour and endeavour in a free world, the processes of globalization need a human face so that they offer equal opportunities and bring benefit to the whole of the human family. In short, a human being is not a homo economicus and there are wider and deeper aspects of progress and well-being that need to be taken into account rather than just material ones if we are to honour the whole person and his or her inherent worth and multidimensional capacities.

The early years of the work of the United Nations and its family of organizations and agencies gave expression to injunctions such as that in Article 1 of the Universal Declaration of Human Rights, which proclaimed that human beings “should act towards one another in a spirit of brotherhood”. Stunted in their growth, at least partly by the infertile wasteland of the cold war, which hardly nurtured the coming together of the human family, such lofty ideals were for many years little more than an echo of what might have been. The early 1990s saw the shy dawning of a more broad-based and holistic approach as can be seen from the recognition by governments in Agenda 21 that “individuals should be allowed to develop to their full potential, including healthy physical, mental and spiritual development” and a commitment to “social, economic and spiritual development”. By 1995, social development was the main theme of the U.N. Summit of that year

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<sup>84</sup> The BKWSU is a non-governmental organization in general consultative status with the United Nations Economic and Social Council (ECOSOC) and in consultative status with UNICEF. The University was founded in India in 1937 and now has over 4,000 branches in some 86 countries worldwide.

and signatories to the Copenhagen Declaration on Social Development acknowledged that their societies “must respond more effectively to the material and spiritual needs of individuals, their families and the communities in which they live...”. Certainly there can no longer be any denying the need for development to take account of the nourishment, sustenance, and security of the inner being as well as the outer. So in asserting that people must be at the centre of development, we must not forget the heart and soul that are at the centre of people.

Trade and development, at their core, are essentially about relationships between people, whether acting as customers, suppliers, partners or beneficiaries. Like all other relationships, these too are based on a rationale, code or logic – whether written or not – that determines, expects or predisposes certain patterns or incidences of behaviour. At the roots of this dynamic lie our fundamental approach to life and the world around us: our principles, perspectives and values. It is the state of this inner world of ours that ultimately determines the state of the outer world. Asymmetries and imbalances within our economic, trade and social systems are symptoms of a deeper malaise within us. Understanding this is the key to all our development endeavours; if we fail to take account of this inner dimension we lack the foundation upon which the successful outcome of our plans and actions depends. Thus it is easy to say that ODA levels must be increased to reach agreed targets, that the North must stop selling arms, encouraging wasteful consumerism and building sweatshops, that the South must address issues of governance, lack of transparency, dependency, corruption and entrenched interests. And it is an outrage that in a world of such plenty the basic needs of so many people for food, water, clothing and shelter are not met and their rights with regard to education, health and work are neglected or violated, and all this while some of their neighbours indulge their greed. But it is not just legislation that will resolve injustice, and trade alone will never put an end to the LDCs’ problems and provide the necessary security, infrastructure and systems. While it is true that political will may be lacking in these areas, that too is merely symptomatic of a deeper problem: the undeveloped human heart and spirit.

## ***II. A NEW MODEL OF DEVELOPMENT?***

A new model of development is thus called for; not just one that recognizes that people must be at the centre of development, and its beneficiaries, but one that also recognizes that spirituality is at the heart of what it truly means to be human. Such a model will acknowledge that the deepest level of our identity is a spiritual one; that the dignity and worth of the human person derives not from the body so much as the soul within it. We must define ourselves far more by reference to our inherent spirituality than to wealth, GDP figures or other external physical conditions and circumstances. To do so will bring back to development its forgotten soul and offer meaningful and well-founded principles and standards by reference to which trade, commercial activity and governance may be conducted and assessed.

Welcome progress has been made with the introduction of human development indicators; this process must now be taken a stage further so that our development efforts are assessed by spiritual and ethical criteria and with reference to their impact on humanity’s spiritual and moral well-being. To be sure, finalizing comprehensive, commonly agreed and assessable spiritual indicators will be a time-consuming task, but it is submitted that such reference points would provide a reliable compass by which to chart meaningful and long-term development efforts that truly have people as their beneficiaries. In fact, there is already a fairly substantial convergence of thinking in this regard and the signs of the emergence of a global ethic, on the basis of a set of commonly held values, are obvious. Societies, governments and markets that function properly all do so because of a moral basis of qualities such as trust, fairness, respect, equitable treatment of all people, responsibility, solidarity and honesty. The benefits of such an ethical approach are not just prosaic; equitable

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income distribution, for example, is likely to be supportive of faster overall economic growth and social stability.

### ***III. NEED FOR AN ETHICAL APPROACH***

In looking at such an ethic, its underlying principle is the worth of the human person and that each human, regardless of external physical factors, is ultimately spiritual in identity. While we may be traders and business-people, we are human beings before being that. To be true to ourselves requires that our actions be an expression of and consistent with the fundamental truth that each of us is spiritual in nature. It is because of this common spiritual identity that we all share universal rights and can claim to be members of the one human family. The spirit of brotherhood that derives from this requires that our relationships – whether personal, commercial, development-related or otherwise – be imbued with ethical values such as those mentioned above. Much effort is being made to remove the barriers to trade and investment, but we must also tear down the barriers within our minds that restrict or place quotas on the free flow of the milk of human kindness.

A second spiritual principle of fundamental significance is what may be described as the law of reciprocity. In this interdependent world of ours, every cause has a directly proportionate effect and ultimately we receive whatever we do, and to the extent that, we give. Trust engenders trust, violence begets violence, and so on. It is not just that we should treat others the way we want to be treated but that we *will* be treated the way we treat others. Thus, accepting a degree of moral responsibility for the welfare of others is not only an ethical imperative, but also an issue of long-term personal welfare. In a commercial transaction, as in other exchanges, one party's lack of respect for the other's rights – for example, the right to a fair return from the fruits of that person's labour – will only lead to the same being reciprocated in one form or another. People can lay no claim to be exempt from moral reasoning and fundamental principles just because they are in a marketplace.

### ***IV. VALUES AND ATTITUDES***

A rich blend of legislation, institutional programming and remedial measures has been put in place over the years in relation to a variety of fields of human activity in the interests of trying to secure a poverty-free, more equitable, just and humane society. The United Nations family can proudly claim to have been in the vanguard of many such endeavours. Thus with regard to trade, for example, liberalization measures have helped to promote development and boost living standards for many, although much more remains to be done if the benefits of economic and trade globalization are to reach those who really need it the most, especially women and children in the LDCs. These achievements have in turn given rise to demands for progress with regard to environment, labour standards and legal and social infrastructure. The next stage that must now be taken – and it is the greatest shift that is needed – is in our values and attitudes. Once they change, all other necessary changes will follow easily. But if they do not change, nothing much else will really ever change, and so this must be the first step. To be sure, achieving such inner change is easier said than done. Spirituality is crucial in this regard, providing not just the guiding light for the direction in which we need to change, but also a powerful resource to help us make those changes.

All this will require that we place a high priority on learning and education that is not only functional, practical and relevant in content, but which also has spiritual, ethical and moral principles and values at its heart and the overall development of the whole person as its aim. In this

regard, one of the hidden treasures within LDCs – that purely economic indicators ignore – is the richness of the spirit of the people, their culture, traditions and social codes. The African notion of *ubuntu* is an obvious example of this, referring as it does to a code of ethics which embraces generosity, tolerance, warm-heartedness and selflessness. This non-monetary wealth is both something to be preserved for its own beauty and strength as part of humanity's heritage but also, less tainted by materialistic tendencies and societal ills, a wonderful resource for true human development.

## V. CONCLUSION

For the past 65 years the Brahma Kumaris World Spiritual University has been offering to people of all walks of life around the world a very simple, accessible and yet effective education in self-awareness, spiritual principles and values. The University – together with UNESCO's Basic and Primary Education Sections, and in consultation with the Education Cluster of UNICEF – supports *Living Values: An Educational Programme*. This Programme provides materials and guidance to facilitate the integration of values education into existing curricula and textbooks for children and young adulthood, starting from early childhood. It covers twelve fundamental human values such as respect, tolerance, freedom, peace, responsibility, love and cooperation. Already in use at approaching 5,000 schools and other sites around the world, results indicate that the Programme's five award-winning activity books, now being translated into at least 24 languages, constitute an invaluable tool for personal development. Programme coordinators would welcome working with others in this continuing and crucial endeavour.

The next waves in the sea of change that is the story of human development must rise from deep within the human spirit, drawing on the realization of the fundamentally spiritual nature of our identity. We must see, and develop ourselves as whole human beings, integrating the spiritual into the physical, intellectual and emotional. The time in which we live is an age of many changes. The call of the time is to make it an age of spiritual and moral change.

## *PART II*

### *C. Views on issues and concerns of trade unions*

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## **LDCs, TRADE AND THE DEVELOPMENTAL CHALLENGES AHEAD: A TRADE UNION PERSPECTIVE**

*by*  
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### ***I. INTRODUCTION***

The World Confederation of Labour (WCL), which represents national trade union confederations in 116 countries, has keenly followed the evolution of development issues being addressed by the United Nations system over the years. The evolution of these issues, which is taking place within the historical context of globalization with its strong neo-liberal logic, has posed numerous challenges to trade unions and civil society at large. It is in this regard that the WCL has systematically insisted that development strategies focus on the furtherance of social development, social justice and workers' rights, as fundamental bases for integral human development.

A good starting point to test the progress being made by the United Nations system and by the international community in furthering the development agenda, is to look at the evolution of the situation of LDCs whose inhabitants are the poorest of the world's poor.

### ***II. THE U.N. LDC-III CONFERENCE***

In the process leading up to the Third United Nations Conference on the LDCs (U.N. LDC-III) in Brussels, the international trade union movement set out a number of concerns which needed to be addressed by the Conference, for instance: the elimination of LDC poverty and the causes of poverty; the necessity for proactive policies in favour of decent work for all; an end to structural adjustment policies that promote economic growth without development; effective debt relief for the LDCs; the reorientation of global trade rules in favour of LDCs; the urgency for making strong commitments in favour of respecting fundamental workers' rights; the respect of commitments made regarding official development aid; the promotion of basic universal public services; the active participation of trade unions and civil society organizations in solving the LDC development problems; and gender mainstreaming in development strategies.

At the end of the Conference, even though the WCL welcomed a series of positive elements in the commitments, such as the references in the Programme of Action to consultation with Civil Society and the ILO Declaration on Fundamental Principles and Rights at Work, it regretted that little importance had been given to the problem of decent work. Furthermore, it was observed that several commitments were rather vague or referred to existing mechanisms which are far from ideal, for example, regarding the Heavily Indebted Poor Countries (HIPC). Other commitments for instance on trade, were referred to other bodies like the WTO. However, despite its disappointment with the final outcome of the Conference, the WCL noted the positive results obtained and committed itself to participate fully in its follow-up.

### ***III. FROM BRUSSELS TO DOHA***

One of the urgent follow-up issues resulting from the Brussels LDC Conference was that of trade. In the lead-up to the Doha Ministerial Conference of the WTO, the WCL policy statement reiterated its belief that trade was not an end in itself but a means for social development. Furthermore, after successive waves of liberalization since the 1980s, it was now time to take stock and to focus on development objectives. The WCL therefore specifically called on the Doha WTO Ministerial Conference to: review the implementation of existing trade agreements concluded under the Uruguay Round of negotiations and their impacts particularly on LDCs; tackle outstanding problems of market access facing developing countries, particularly the LDCs; secure a full implementation of the objectives stated in the U.N. LDC-III Conference, namely, improving preferential market access for LDCs and duty-free and quota-free market access for all LDC products in the markets of developed countries; reinforce measures to tackle the capacity problems faced by LDCs; take a fresh look at the terms of trade issue within the framework of the WTO; and, finally, secure effective WTO-ILO collaboration on core labour standards and the social dimensions of globalization.

The Doha WTO Conference was in many ways the first test of the international community's real commitment to give concrete and positive follow-up to the assurances given to the LDCs in Brussels. A comparison between the Zanzibar Declaration and the Declaration of ACP States on the one hand, and the Doha WTO Ministerial Declaration on the other hand, illustrates candidly the gulf that exists in the respective aspirations of the richest and poorest nations of the world. Two areas are worth highlighting. On the critical issue of market access, though the Doha WTO Ministerial Conference granted a waiver for the preferential ACP-EU Cotonou Agreement, it does not go as far as to generalize duty-free and quota free market access for products originating from LDCs within WTO rules, but only commits the WTO to that objective.

More worrying, however, was the opening of a new round of multilateral trade negotiations on a wide range of items including the so-called Singapore issues of investments, competition policy, government procurement and trade facilitation. Specifically, this means that even as LDCs largely continue to be unable to digest the results of the Uruguay Round of negotiations, they are presumably already committed to greater levels of trade liberalization. Despite new assurances to facilitate capacity building, technical assistance and enhanced coherence between the WTO and the Bretton Woods institutions on issues like the debt, the experience of the execution of such past commitments leads one to hypothesize that the Doha Ministerial would lead to an even greater marginalization of LDCs and therefore of the world's poorest.

### ***IV. THE CHALLENGE FACING TRADE UNIONS***

In the light of the difficulties analysed above, how are trade unions responding to the process of implementation of the LDC Conference in Brussels? At the national level, the implementation of the Brussels Programme of Action still needs to be fully reviewed. It is in this regard that the WCL has embarked on a follow-up programme of activities with its affiliates, which includes training, advocacy, research and documentation, development projects, gender mainstreaming, networking and capacity building. Among the actions being initiated one can note the following:

- (i) Dissemination of information concerning the LDC Conference at the grassroots.
- (ii) Lobbying of national officials in LDCs to collect information, influence policy and participate actively in national follow-up efforts.



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- (iii) Strengthening the capacities of national trade unions to give concrete and positive input to relevant national organs responsible for the follow-up to the LDC Conference.
  - (iv) Encouraging active collaboration between trade unions and relevant NGOs in the monitoring and implementation of national action programmes.
  - (v) Collaborating with trade unions in developed countries, on the monitoring of the Conference conclusions in their respective countries, particularly with regard to the role of donors in the Programme of Action.
  - (vi) Establishing a central point at the WCL African regional office in Lomé for the collection of information, development of synergies among LDC trade unions and for liaising with the WCL headquarters within the framework of its ongoing work with the U.N. system.
  - (vii) Developing synergies between the trade union work with respect to LDCs and on-going trade union work within the framework of the ACP-EU Cotonou Agreement.

It is in this regard that the WCL organized a seminar from 10 to 21 December 2001 at its African regional office in Togo, for its affiliated trade unions in the LDCs of francophone Africa on the follow-up to the U.N. LDC-III Conference in their respective countries. This seminar aimed at reviewing progress made in each country in the implementation of the commitments spelled out in the Brussels Programme of Action and at reinforcing the capacities of trade union leaders to propose concrete policy alternatives and to be able to deal with the policies of the international economic institutions which intervene in the implementation of national action plans. The conclusions of this seminar are to form the basis of renewing WCL's follow-up strategies in relation to LDCs.

For the WCL, reviewing concrete progress on developmental issues necessarily has to be achieved through paying close attention to the poorest countries. In this respect, progress made by the U.N. system and by the WTO on critical developmental issues can best be gauged by the degree to which development commitments are concretely translated into the elimination of poverty in the poorest countries. Hence, the follow-up to the U.N. LDC-III Conference offers a key test to measure the success or failure of development commitments made under the auspices of the United Nations.

## ***V. CHALLENGES FACING THE U.N. SYSTEM AND THE WTO***

Apart from the monitoring and review of progress on the elimination of world poverty, a number of structural and global concerns have urgently to be addressed in the developmental agenda of the U.N. system and supported by actions of the WTO. Some of these concerns are in relation to:

- (i) *the decent work agenda*: the promotion of decent work for all, not only as a consequence of but, especially as a motor of, development policy, needs to be better integrated into the U.N. system's development agenda. Consequently, the work of the ILO in this regard needs to be applauded and better articulated with the development programmes of other U.N. agencies and the WTO;

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- (ii) *fundamental rights of workers*: considering that globalization has led to a downward spiral in the respect of labour standards and social protection systems, it is clear that the development agenda has to find a new balance whereby the socio-economic policy approach is complimented with a rights-based approach. The ILO Declaration on Fundamental Principles and Rights at Work<sup>85</sup>, which was universally adopted in June 1988, offers such a basis in order to make globalization work for the poor. In this regard, governments have to apply in a coherent manner the commitments they make in one U.N. agency throughout the United Nations system and beyond. Furthermore, the WTO has to effectively collaborate with the ILO on the social dimensions of globalization.
- (iii) *transnational corporations and development*: considering that transnational corporations constitute the principal motors of the neo-liberal global economic restructuring that the world is undergoing, and bearing in mind their increasing role in development financing, a more energetic assessment is needed on their role and impact on development (at the level of socio-economic impact, human rights effects, environmental consequences, ethical considerations, etc.). This review is urgent in order to work towards building an international legal framework for the regulation of the practices and activities of transnational corporations.
- (iv) *the "Tobin Tax"*: clearly one of the key tests of the success of the forthcoming U.N. Conference on Financing for Development will be the resolution of the issue of a tax on international currency transactions.
- (v) *the governance of globalization*: this issue is one of the greatest challenges facing the U.N. development agenda and the U.N. system itself - how to adapt and remain relevant in an age of globalization where private non-state actors are increasingly hegemonic. For instance, one of the crucial issues posed in global governance is the conflict of competing standards and rules developed by different multilateral agencies, each within its own field of competence. The WTO ruling on asbestos and the South African court case on medicines are pointers to the larger problem. It is in the light of this need to rethink global governance today that one has to develop a new framework to *inter alia* arbitrate between competing international standards; to give adequate follow up to U.N. world conferences; to find a new balance between state and non-state actors at the international level; and to guarantee the socio-economic regulation of globalization. It is against this background that, at its recently concluded Congress in Romania, the WCL underlined the need to work towards establishing an "*Economic and Social Security Council*" with real democratic powers to give new meaning to the international system, over and beyond the neo-liberal logic of markets, liberalization and profits.<sup>86</sup>

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<sup>85</sup> The Declaration on Fundamental Principles and Rights at Work is based on the fundamental ILO Conventions relative to freedom of association, forced labour, discrimination and child labour.

<sup>86</sup> For more information on this consult the WCL Congress Policy Report at:  
<http://www.cmt-wcl.org/Congres2001/congress25.html>

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## ***CHALLENGES FACING THE UNITED NATIONS SYSTEM***

*by*

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### ***I. INTRODUCTION***

Some of the processes of globalization are moving at an accelerating pace, putting increasing strain on the capacity of the world's governments and intergovernmental institutions to manage them. As is evident by this increased strain, other processes of globalization are lagging behind. Despite its potential to bring about prosperity for the world's peoples, the actual record of globalization to date has been dismal for many parts of the world, to judge from critical social indicators such as employment levels, per capita incomes and life expectancy. To the International Confederation of Free Trade Unions (ICFTU), the key challenge facing the international community, and particularly the United Nations system, is one of Globalizing Social Justice. This means underpinning the global economy with a set of values and ground rules, which ensure that the wealth created by globalization is spread equitably among and within nations; that working women and men have a fair share in globalization's benefits; and that the rights of ordinary citizens for decent jobs in safe, sustainable, peaceful environments are guaranteed. The U.N. Millennium Development Goals have set out values and priorities for the world in the 21st century, and now we need to meet these goals. The challenge is that of introducing the ground rules that will ensure that we do move forward.

### ***II. THE ROLE OF THE U.N. IN THE 21st CENTURY***

In a global economy, poverty and injustice anywhere constitute a threat to prosperity everywhere. The earth will not be sustainable for future generations if a framework of shared values for promoting peace, justice and widespread prosperity is not put in place now. Given the critical importance of sustainable development and the multiplicity of vested interests in the global economy militating against its attainment, the U.N. needs to assume a stronger leadership role in building coherence among the international community. Different institutions need to work more closely with one another, and the policy mandates of the various institutions should be more actively complementing. . Financial, economic and commercial policy should be much better informed on the conditions and priorities of social development, and this should be reflected in a new cooperation between the different responsible agencies and institutions. The U.N. needs to lead such a collaborative effort, and the international trade union movement stands ready to play its part alongside civil society organizations worldwide in supporting such a role.

From the U.N.'s millennium deliberations and review of social progress emerged a clear recognition that the root causes of increasing inequality, poverty, social exclusion and the erosion of human rights must be overcome. The Millennium Goals were set as indicators of what the world community wants to accomplish in the coming years. The next step must be the mobilization of the political will among all governments and peoples to cooperate in the establishment and application of the necessary policy framework aimed at meeting them, and bringing about sustained growth and

prosperity. The tragedy is that successive U.N. meetings seem unable to move away from yet more affirmation of these goals and promises to work together to meet them. The outcome documents of recent U.N. meetings increasingly seem like so much fiddling while much of the world burns.

### ***III. IDENTIFYING THE ROOT CAUSES OF POVERTY AND INEQUALITY IN THE GLOBAL ECONOMY***

Recent ICFTU submissions to the meetings of all the major multilateral institutions have drawn attention to the fact that globalization is entailing a massive increase in competitive trade pressures and increasing the susceptibility of developing and transition economy countries to financial destabilization and crisis. The rules and operations of the global economy are biased overwhelmingly towards profit maximization for corporate gain at the expense of the development of poor countries and the interests of working men and women, the unemployed and the poor in both industrialized and developing countries. They favour free flows of short-term speculative capital, capable of swift and profound negative effects on the financial and real economies of host countries. For many developing countries, trade liberalization has meant the dismantling of local production through the flooding of markets with goods produced in lower cost locations, unfavourable terms of trade for primary commodities, and lack of much needed preferential access for their exports. The agricultural and food production sectors are particularly vulnerable in the face of these unfavourable terms of trade, and food insecurity has further exacerbated the poverty of the least developed countries.

Structural adjustment programmes remain firmly in place as the mechanism through which developing and transition countries are supposed to integrate with the global economy. It is now clear that structural adjustment conditionalities such as privatization programmes and cuts in public expenditure have had the net effect of excluding populations from vitally needed services in education and health, exacerbating poverty and, in many cases, depressing economic and employment growth. Both as workers in public services and as care-givers, women have had to bear a disproportionate burden of the effects of structural adjustment measures. The servicing of onerous debt obligations continues to deflect precious resources away from critical social programmes and investments in human capital, while the IMF/World Bank joint HIPC initiative, despite enhancements, has proven inadequate to the challenge of providing quick and sustainable debt relief to the heavily indebted poor countries.

Many governments, facing competitive pressures, are wavering in their commitment to uphold the principles of democracy and the observance of core labour standards and other human rights. Many transnational corporations (TNCs) profit from this “race to the bottom” to engage in union-busting activities, with the aim of weakening unions, maximizing “flexibility” and minimizing labour costs. The increasing incidence of child labour is one of the consequences of flexible labour market practices. In some countries, trade unionists are the victims of violent repression by governments and acquiescent employers. Emerging from the pressure for export-led growth has been the export-processing zones which employ workers, mainly women, under exploitative sweatshop conditions and low wages, and which deny them the right to form or join unions to improve their working conditions.

Social dislocation in many parts of the world is evident in the incidence of conflicts and civil and ethnic strife, while wars have taken their toll on innocent civilians, mostly women and children. The spread of HIV/AIDS further undermines sustainable development, as infection levels threaten to reverse a generation of accomplishments in health levels and life expectancy.

Contrary to the very passive tone adopted by the draft outcome text for the Financing for Development Conference in Monterrey, Mexico, it is ever being proven by catastrophic events that the solution does not lie in “more of the same”: more structural adjustment, more privatization, more export-led growth and greater liberalization of trade and capital flows; while the free, unaccountable, flexible markets are maintained intact. Unless there is a fundamental shift, not only in policy, but also in power relations between countries and between different branches of the international system, economic and social crises will continue to emerge in one country after another.

#### ***IV. GLOBAL POLICY AND SOCIAL JUSTICE***

Following the Millennium Summit, we now have the underpinnings of such a fundamental shift. If global policy can be dictated by the goals of social justice, quality of life, and equality for all people, then we stand a strong chance of fulfilling all these promises we have made about improving the world, especially for those for whom it is currently so nasty, brutish and short.

Within such a framework, all important institutional actors need to be made accountable for their role in implementing these ambitions, and ensuring that globalization brings about sustainable economic and social development with equity. These include governments, the private sector, trade unions and other civil society organizations, the U.N. and its specialized agencies like the ILO, and the IMF, World Bank and WTO. We must urgently eliminate the dichotomy and the contradictions between economic and social policy interventions between different institutions. We need to connect and integrate financial and economic policy and outcomes with social policy and outcomes. It is clearly recognized in international debate that the well-being of people rather than the health of economic indicators is the central objective of development, but what remains elusive is commitment to the recognition that to improve the well-being of people requires much more than just reliance on the benefits of trade liberalization and attraction of FDI.

#### ***V. PRIORITY DEVELOPMENT ISSUES FOR TREATMENT BY THE U.N. SYSTEM***

Drawing on the Millennium Declaration and the outcome documents of the major U.N. Conferences of the past decade, the principles of social policy and coherence have been affirmed. The U.N. system now needs to bring these principles to prominence. It must also tackle specific issues that are making globalization very contentious indeed, and in so doing, hindering our success in meeting the Millennium Development Goals. The ICFTU suggests that these critical development issues to be addressed by the U.N., *inter alia*, include the following:

- (a) Creating an enabling environment, as promised in the U.N. LDC-III outcome document, through the adoption of economic and social policies which place people and their well-being systematically at the centre of the economy, and which measure the success of outcomes in relation to the attainment of human well-being, requires that such an environment must be consistent with the basic principles of democracy, inclusion, accountability, transparency, good governance and the full exercise of human rights and fundamental freedoms, as well as with economic, social, political, and cultural rights. Full observance of core labour standards as enshrined in the ILO Declaration on Fundamental Principles and Rights at Work, is an integral part of this enabling environment. The Financing for Development process was an ideal

opportunity to develop guidelines for such an enabling environment, but industrialized country intransigence blocked any real discussion on international reform or responsibilities.

- (b) Redefining macroeconomic policies so that they are consistent with the goals of social justice, poverty eradication, employment growth, shared prosperity and respect for human rights, including core labour standards and women's rights.
- (c) Redefining trade policies so that they primarily serve development. This involves ensuring special and differential treatment for developing countries, promoting domestic economic support in developing countries with very little infrastructural or industrial base, and ensuring the observance of core labour standards as defined by the ILO Declaration in such a way that the integration of a country into world markets serves to benefit its workforce and contributes as much as possible to its development. Ensuring trade policies serve development and also entails major action concerning TRIPS, TRIMs and GATS.
- (d) Agreement on measures which allow states to control short-term foreign capital inflows and outflows in the interest of domestic macroeconomic and social stability. Integral to this is real agreement on binding international standards for the prudential regulation of financial markets, and not the very one-sided and uncritical regulatory approach that has thus far been taken by industrialized countries. Also elemental to meaningful regulation is a serious attempt to formulate measures for the international taxation of foreign exchange transactions. As stated above, however, none of these measures have survived industrialized country intransigence in the Financing for Development process.
- (e) Prioritizing employment growth as an essential element of a poverty eradication strategy, and in that context, endorsing the ILO Global Programme on Decent Work as an approach which enhances integration of economic and social policies in relation to employment, labour market and social protection measures. This requires that macroeconomic policy must regard employment growth as a priority, not as a social constraint that is inconveniently imposed on a liberalizing and privatizing approach to economic management.
- (f) Ensuring that policies, especially economic and commercial policies, are fully cognisant of existing gender inequalities, and explicitly geared to overcoming them. These policies should draw on the Beijing Platform for Action, and be geared to achieving equality and equity between women and men, and to recognizing and enhancing the participation and leadership roles of women in political, civil, economic, social and cultural life, and in economic and social development.
- (g) Establishing consultative mechanisms to promote effective involvement of trade unions and other civil society organizations in the formulation and implementation of policies for sustainable development. As representatives of the interests and aspirations for decent work and sustainable livelihoods of workers in all economic sectors, trade unions have a vital role to play in ensuring transparency, accountability and equity in the formulation and implementation of policies for sustainable development.

## **VI. CONCLUSION**

The major development issues facing the U.N. system are manifold, and involve to a large extent the major non-U.N. players in the international arena; the WTO, the World Bank and the IMF. One of the U.N. system's major challenges will be that of developing a healthy coherence and collaboration between the U.N., its specialized agencies and the non-U.N. institutions. This

coherence must extend to policy-making, and must reflect the recognition that social development measures, to be successful, cannot be subordinate to economic and financial measures. In sum, social policy must be given a higher profile.

In more concrete terms, there are several major stumbling blocks that the U.N. system must overcome if progress is to be made towards meeting the Millennium Development Goals. Equitable international financial regulations, agreements to eliminate harmful international competition for private investment, measures to ensure that workers and communities realize the benefits of trade and investment liberalization, and real integration of gender concerns in policy-making are all pressing concerns in our globalizing world. The failure to move forward on these issues is making globalization a very unequal process, and is building resentment and resistance among those who are paying the price and not seeing the benefits. Neglecting to resolve these issues builds division where we need unity, and seriously imperils our chances of meeting the Millennium Development Goals.

## *PART II*

### *D. Views from the academic community*



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## THE GENDER PERSPECTIVE IN PROMOTING TRADE AND DEVELOPMENT OPPORTUNITIES<sup>87</sup>

by  
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### I. BACKGROUND

The arrival of UNCTAD into the fold of those international organizations trying to integrate gender analysis into their work programmes so that they can address the equity and efficiency implications in their respective policy fields is greatly to be welcomed. By the same token, however, UNCTAD needs to be aware that there is a very large, worldwide constituency of persons/organizations both in the governmental and in the civil society sectors of its Member States that is interested in promoting gender equality in many aspects of economic and social life. This constituency now has UNCTAD, as well as other prominent international institutions, firmly in its sights and is therefore expecting it to make progress in this regard.

Such expectation, for example, was well in evidence during the discussions at the Third U.N. Conference on the Least Developed Countries held in Brussels in May 2001, which led to agreement on a number of “commitments” embracing proposals for future actions designed to bring about progress in obtaining gender equality and gender mainstreaming, recognizing that these constitute essential strategic components *inter alia* in the effort to secure poverty reduction.

By acknowledging the importance of the task of addressing the gender dimension in respect of poverty reduction, employment creation, international trading practices, environmental issues and the adverse effects on the poorer countries of globalization, the Member States of the United Nations in general, and UNCTAD Member States in particular, make themselves accountable to this worldwide constituency. This paper therefore is presented as a commentary on some gender issues associated with the promotion of trade and development opportunities.

### II. OBSERVATIONS ON THE IMPACT OF INTERNATIONAL TRADE ON GENDER RELATIONS

There is a general, and forceful, belief within this gender constituency that trade expansion is harmful to women’s interests in many respects. The literature does not generally support this view. It shows greatly mixed effects, varying from industry to industry and country to country, according to analyses exploring the impact of increased exports or imports, as measured by values of trade flows, in particular sectors.

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<sup>87</sup> This paper is an edited version of the author’s contribution to the UNCTAD Expert Meeting on mainstreaming gender held in November 2001. It is a commentary on the subject matter of this Meeting written from the perspective of an independent observer and student of integration processes. The author wishes to commend the UNCTAD secretariat for the pertinent, clear and balanced background document (TD/B/COM.3/EM 14/2) which was prepared for the Expert Meeting.

The literature is not yet in a form to be of use in trade policy discussions. The gender impacts of particular trade policies, let alone the compounded impact of differently phased and sequenced trade policy measures are not known. Nor, by extension, is there any understanding yet of which social and economic policy measures might be needed to complement trade policies, in order to promote more equitable gender relations. The work needed to develop such understanding has hardly begun, either in general or in particular country contexts.

It is to be hoped that UNCTAD will support continued research along these lines. Meanwhile, the UNCTAD secretariat background document does useful service in setting out the main ways in which policies for promoting gender equality present themselves in four fields in which women are well represented as economic actors and in which trade relations are important: FDI; trade in commodities and services; enterprise development, with special reference to women's entrepreneurship; and information and communication technologies (ICTs).<sup>88</sup>

Given the high level of public interest in the issues, UNCTAD member states need to draw civil society organizations into discussions both to help improve understanding of the known lines of impact of trade expansion on gender relations, as experienced in different country contexts, and in exploring the best course of action locally. Participating in dialogue is a way of meeting demands for accountability from civil society, and demonstrates to international and local advocates that gender equality concerns are being taken seriously. More importantly, given the lack of detailed knowledge of the subject in the literature, it will be helpful for governments to embark jointly with others on a learning process to refine and clarify policy possibilities. This is a new and complex policy field where a constructive rather than defensive attitude on the part of governments is called for and where governments that take a pioneering and integrated approach will see their efforts quickly applauded at the international level.

There have been immense changes in world trade flows and in governments' stance on trade policies over the past fifty years. The growth of trade flows has generally outpaced growth in GDP, underwriting a belief that economic openness is an important source of economic growth. The structure and composition of trade has changed radically over this period. The steady and prolonged growth of trade in services (particularly modern business services) and the decline in the share of agricultural commodities and minerals have been the main features. Developing countries as a group have not seen any marked change in their share of world trade, reflecting many countries' achievement of competitive strength in new sectors. Definitional rigidities, however, mask the fact that the poorest and smallest countries have not fared well, and that in regional terms Africa's share of world trade has been diminishing year by year, despite some African countries' strong performance in new areas such as high value agricultural products.

In policy terms, a much stronger regime for world trade has been put in place, orchestrated in the GATT /WTO. The vast majority of countries in the world have signed up to a series of multilateral trade agreements of ever broader coverage but all based on the principle of reciprocal, non-discriminatory and enforceable liberalization of market access. Whatever the criticisms of the WTO, it is clearly more open and equal in procedural terms than most of the other international bodies with which developing country governments have to deal in seeking to increase their resources available to them. This must surely help explain the success of the WTO in attracting an ever expanding membership. By extension, trade policies have assumed a vital place among the economic policy instruments at the disposal of developing country governments. Corresponding to the spread of multilateral trade agreements, the trend has been for countries to change their trade policies in ways which liberalize access to their markets and facilitate cross-border trade flows.

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<sup>88</sup> Supra.

The consistently systematic nature of gender biases means that in discussions of gender and trade, as in other fields, policy prescriptions tend to reduce to measures to support women. But it is wise never to lose sight of the political economy of gender policies. The impact of particular measures on men as well as upon women always needs to be considered. Advocates of gender equality may need to be prepared to accept lesser gains than they might wish - or even than sometimes seem attainable - in the short term, in order to assure long-term progress towards gender equality; pressing for maximum short-term gains may carry the risk of a backlash in some circumstances.

### ***III. A CONCEPTUAL APPROACH***

The conceptual basis for considering the gender dimension in respect of trade, competitiveness and enterprise development policies is perhaps not so clear as in other areas. My aim therefore in this brief paper is to suggest a conceptual approach to these issues which will assist in drawing lessons for policy.

There are two ways in which the gender dimension can be assessed in relation to trade, both with implications for policy. The first is to seek to understand how features of the 'gender order', as it plays out in the economy, determine whether women are able to participate equitably as production and consumption opportunities change with increases in trade. The general policy lesson in this respect is the need for policymakers to be aware that redressing social structural gender biases may enhance productivity and competitiveness, and hence prospects for exporters in international markets.

Secondly, policymakers need to ensure that increases in trade do not further entrench or even exacerbate gender inequalities. The distributional impact of trade flows may have a negative gender impact in either of two ways. Women may not receive their due share of trade-related gains, or they may be made to carry unduly heavy costs of adaptation to changing market conditions.

In the literature, these two dimensions are not usually separated out. In my view this unnecessarily complicates discussions of this topic and confuses attempts to reach a gender assessment of trade-related outcomes. Of course, the effects may be difficult to disentangle, not least because there can often be a feedback loop between the gender initial conditions and the distributional dimensions. They are conceptually distinct, nevertheless.

Rather than attempt to justify this assertion by showing how discussions of the topic have compounded the two dimensions, I take this opportunity to discuss a few examples where immediate lessons can be drawn for public policy. Work under UNCTAD auspices may suggest many more possible cases.

### ***IV. POLICIES ADDRESSING GENDER INEQUITABLE INITIAL CONDITIONS AS THEY AFFECT TRADE PERFORMANCE: TRAINING, WAGES AND RESOURCES FOR ENTERPRISES AND FARMS***

Efforts to improve general and sector-specific competitiveness may be hampered by the invisibilization or under-estimation of women's economic contribution, and consequently by under-investment in women's capabilities and under-resourcing of women's activities. In this category falls the important issue of access to capital and credit for women's enterprises. Suboptimal worker

training programmes at enterprise level are another example. These rest on the perception that women are second class, short-term members of the paid workforce whose contribution will end with marriage or motherhood. In fact, empirical studies show that men's contribution is often less reliable in the short term (through alcohol-related absenteeism, for example) and that increasingly women wish to stay in paid employment throughout adulthood. Developing countries today suffer less from the intermittent female paid labour force participation pattern that has been characteristic of industrialized countries until fairly recently. Echoing the argument, now generally accepted, for the need for special public efforts to support girls' education to compensate for gender biases against girls' education at household level, there is a case for public policies to counteract persistent under-investment by enterprises in the training of women workers.

Even with the sub-optimal skills set that results from lesser investment in the training and education of women, employers in many sectors have a marked preference for female labour. This is partly due to the lower wages paid to women, but also partly to socially sanctioned patterns of behavioural differentiation by gender. These make women more amenable to discipline ('docile' in the assembly manufacturing context) and more adaptable and effective at interpersonal relations (a feature increasingly seen as valuable in many service industries, including ICTs). This has important implications for promoting gender equality in employment (some possible policy measures are discussed below). It means that the demand for female labour is not strictly dependent on continuation of lower wage payments for women. Gender equality advocates are not promoting counter-productive policies in arguing for measures to reduce the pay gap between men and women. Nor does such advocacy prejudice competitiveness: enterprises largely take wage levels as given and tend to invest and adapt production organization methods appropriately to maintain and increase productivity in response to wage increases. In any event, many other aspects of competitiveness (market intelligence, product design, marketing and so on) are important to firm and sector performance and these are independent of the wage bill.

The familiar and important topic of gender differences in entrepreneurs' access to finance capital and credit facilities is also strongly relevant in this regard. Differences in resource availability by gender affect not only enterprise performance, but also entrepreneurs' ability to change sectors and/or adapt production methods and outputs as necessary in response to changes in market conditions. Flexibility of this kind is one of the key determinants of an economy's aggregate responsiveness on the supply side. At the individual enterprise level, it is crucially important that businesses are able to shift into different product markets in situations where liberalization of trade policy has the effect of abruptly introducing new products to markets, out-competing locally produced goods on price or quality grounds or both. Women's businesses concentration on local markets may make them especially vulnerable to such effects as more and more tariff reductions take effect. Special assessments should be made of women businesses' vulnerability to the abrupt and complete loss of market opportunities in this way. Special public policies, including but not limited to access to finance, may need to be introduced to enhance women entrepreneurs' capacity to adapt their production capacity in conjunction with standard tariff reduction measures.

The whole area of resources for women's businesses is as relevant for farmers as it is for producers in industry and services. There seems to be a prospect at last of real policy attention being given at the multilateral level to removing distortions to international trade in agriculture. The literature is full of evidence that, at the farm level, women derive a less than proportionate share of export revenues from agriculture. Women's crops tend to more perishable or lower value or both than male crops; in cases where women's crops do find export markets, male 'capture' of the land or the crop is common; where women contribute family labour to an exported crop, they are not given a commensurate share of the revenue; and where the expansion of the export agriculture sector entails increase in paid labour, although women are often preferred as the source of paid

labour (as in manufacturing), conditions of employment are more precarious and lower paid than in the case of men. Serious and urgent consideration needs to be given in all developing countries to ensuring that the infrastructure and policies that will determine the nature of the supply response and the distribution of potential gains from a move towards more liberalized trade in agriculture are gender equitable.

#### ***V. POLICIES STEMMING FROM A GENDER ANALYSIS OF THE DISTRIBUTION OF GAINS FROM TRADE***

The relative returns to women's and men's labour within given sectors (differential wage payments, as discussed above) are an obvious and extremely important way in which the distributional impact of trade expansion is biased against women. Another aspect of the skewed distribution of export incomes relates to the possibility that not only returns to labour, but also national revenues may be lowered in sectors where the labour contribution by women is very high. An empirical association has been noted in the literature between average wage levels by industry and the gender composition of the workforce. Female intensive sectors tend to have lower average wage levels, even below the level for comparable women workers in other sectors. In such sectors both firms' earnings (and thus national income) and women's labour returns are depressed.

There is obviously scope for seeking to raise earnings and wages in sectors with a highly concentrated industry structure. In these cases, company profits are boosted at women's expense and the public interest would be served by seeking a redistribution of value added as between profits and wages. The national interest argument is strengthened where companies are foreign owned and profits are remitted abroad. It might also apply to other export sectors, including major industries such as garments. While the industry apparently displays a high level of competition, such that the many firms typically present do not generate more than basic economic profits, the industry is in fact being segmented internally by strong product differentiation and sophisticated value chain management practices which may be allowing some firms to become highly profitable.

Governments should therefore seriously consider measures which would boost women's wage income in export sectors. Devoting greater resources to implementing existing equal wage legislation is one possibility; another is to explore ways of supporting women's collective bargaining power, whether within conventional labour organizations or perhaps in plant or industry level fora in which public or civil society organizations could play a role. Consumer interest worldwide in labour standards would strongly support developing governments' support for women's collective bargaining. Such a policy stance is best taken collectively and UNCTAD could supply the appropriate forum.

#### ***VI. CONCLUSION***

Finally, let us consider the social costs of trade policies. Over the years, structural adjustment policies (including trade liberalization policies) have frequently been criticized in the gender literature, on the grounds that women were made to bear a disproportionate amount of the costs of adjustment. The argument was that demands on women's unpaid labour time within the household increased as wage incomes and social services fell and product prices rose. In the nature of the case, these allegations were difficult to advance in an aggregate quantitative way and relied on extensive case study evidence. Increased demands on unpaid labour and the stresses and exhaustion that result for the women concerned, as well as the indirect social consequences, such as

increases in domestic and anti-social behaviour among adolescents, are serious aspects of social development as experienced by citizens.

Economics is not good at measuring such effects. Accordingly they tend to be suppressed in internal policy discussions, even though they have been a key element in civil society protests against adjustment policies. New research techniques for measuring social stress indicators and unpaid work are now emerging. These could be useful as a way of integrating social cost considerations into discussions of the costs and benefits of particular trade policy measures, helping towards better informed policy choices and contributing in an innovative way to open dialogue about these issues.

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# WHERE ARE WOMEN IN ECONOMIC DEVELOPMENT? THE ROLE WHICH NON-GOVERNMENTAL ORGANIZATIONS CAN PLAY

by  
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and  
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## I. INTRODUCTION

This may sound like a broken record, but *where are women in economic decision-making and economic empowerment?* As President of the Geneva-based NGO Committee on the Status of Women, a coalition of non-governmental organizations representing millions of women and men, which advocates the advancement of the conditions and status of women worldwide, I think that the title of this paper poses a legitimate question to governments, the U.N. in general, and also to UNCTAD, in preparation for UNCTAD XI. Since the world conferences of the 1990s and succeeding conferences to follow the implementation of commitments made by the Member States of the United Nations, what progress has been made to recognize, value, account for and resolve gender inequalities and the feminization of poverty, not only as basic human rights but as a way forward in advancing the status of women in society?

## II. GENDER MAINSTREAMING IN THE UNITED NATIONS SYSTEM

Indeed it is a fact that the United Nations system has increasingly been vocal in its commitment, especially since ECOSOC's agreed conclusions in 1997 in promoting gender mainstreaming from a basic human rights approach in order to highlight the inequalities between women and men.<sup>89</sup> Most recently, through perseverance of the advocacy work of coalitions of NGOs like the NGO Committee on the Status of Women, the Human Rights Commission passed a resolution in April 2000 *'on the necessity to integrate women's human rights into all the agenda items of the Commission in order to mainstream issues specific to women and to gender equality.'*<sup>90</sup> Also in 2000, according to the report of the Chair and the Bureau, a gender perspective was included in 45 resolutions of the Commission. Most relevant to this Dialogue is the Resolution on: *The Right to Development*,<sup>91</sup> which has affirmed the role of women as active actors in and beneficiaries of development and the need to ensure their participation on equal terms with men in all fields in the realization of the right to development; and on *Land Rights of Women*.<sup>92</sup> Within the ILO's process of reform and modernization initiated in 1998 by the new Director-General of the Organization, a core action plan of technical sectors to achieve useful results is to introduce gender mainstreaming as a central part of their work while maintaining important gender specific projects.

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<sup>89</sup> See also ECOSOC resolution 2001/41 calling attention to gender perspectives in the work of ECOSOC and all its functional commissions, as well as in the integrated and coordinated follow-up to global conferences.

<sup>90</sup> See ECOSOC document E/CN.4/2001/L.61.

<sup>91</sup> See ECOSOC document E/CN.4/2001/L.15.

<sup>92</sup> See ECOSOC document E/CN.4/2001/L.53.

Recently, the World Bank published a policy research report, *Engendering Development: through Gender Equality in Rights, Resources, and Voice*, in which gender equality as a core development issue and as a development objective in its own right was recognized.<sup>93</sup>

It is encouraging to see that UNCTAD has contributed to these efforts, such as by organizing a panel on Women Entrepreneurship during the Third United Nations Conference on the Least Developed Countries in May 2001,<sup>94</sup> and by organizing an Expert Meeting on Gender Mainstreaming in order to Promote Opportunities in November 2001, a first meeting within its intergovernmental machinery to consider ways *to improve the contribution of women in developing their countries' and regions' competitiveness in increasing trading opportunities and in attracting investment and technology*, which has built on the results of the Pre-UNCTAD X Expert Workshop in Geneva in July 1999 on Trade, Sustainable Development and Gender building.

During this meeting, the newly appointed Director of the U.N. Division for the Advancement of Women, Carolyn Hannan, in her capacity as expert on gender equality, made a very comprehensive statement to the effect that there are very strong and explicit intergovernmental mandates for gender mainstreaming: Member States of the United Nations have made it clear that gender mainstreaming is required in all areas of social development. She also underscored that the gender perspectives on trade and foreign direct investment are still not sufficiently well established to have the necessary impact on policies and programmes.

### **III. GAPS IN TRADITIONAL ECONOMIC APPROACHES**

Since the 1990s, eight world conferences have taken place, producing eight declarations and platforms for action. These have covered a whole gamut of commitments to improving human life and rights: the rights of children; environment and development; the world's population and the changing demographics; fundamental human rights; rights and empowerment of women; social development; urban settlement; the right to food. All the challenges of globalization that tear at the fabric of our societies in both developing and industrialized countries alike are addressed. It is true that effecting changes on a global scale are slow and incremental. They do not occur overnight.

It is also a fact that these world conferences have reaffirmed many long-standing principles. Concerning the status of women and traditional economic approaches, the defect of simply measuring quality of life by gross national product (GNP) is its assumption that there is a universal value of opulence, but it does not reflect how wealth and income is distributed. It does not tell what various social classes are doing. How these factors could be determined requires us to specify what aspects of peoples' lives should be considered. This traditional resource-base approach ignores such factors as life expectancy, infant mortality, educational attainment and opportunities, health care, employment opportunities, land rights, political liberties, etc. It also does not take account of individual differences in nutritional needs and socially connected traditional hierarchies. Most importantly, in the context of empowerment, it does not take account of the reproductive role of women and their double burden of unpaid and paid work, which are often determined by social and cultural traditions.

Another shortcoming of a purely economic model is its assumption that every human being is a bearer of value whose core concept is based on labour as a commodity that can be exploited without

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<sup>93</sup> World Bank (2001). Washington, D.C.: The International Bank for Reconstruction and Development/The World Bank.

<sup>94</sup> See also "The Cape Town Declaration on LDCs: Building Capacities for mainstreaming gender in Development Strategies" in United Nations document A/CONF./91/BP/2, 30 March 2001.



regard to limitations in individual capabilities and to variations in physical, material and emotional resources and values. In particular, such a concept disadvantages gender equality since the concept of caring labour which is predominantly associated with women, is based on altruism or social norms of obligation and respect, motives that go beyond pecuniary or instrumental concerns.

#### **IV. THE STATUS OF WOMEN DETERMINES THE STATE OF DEVELOPMENT<sup>95</sup>**

Women continue as primary care givers in the family and household. Viable alternatives to wage employment are self-employment and small businesses because they enable women to combine work with family responsibilities. These are usually started as a last resort but are proven to provide a guaranteed source of living. However, they can also create a ghetto situation or become unsustainable unless support is provided to promote women in large and medium-scale enterprises, and not only in small and microenterprises. Such support needs coordinated and integrated types of measures.

Support for women entrepreneurs need to be set within the context of the entire supply chain. It is not enough just to provide credit. Women have to be helped in producing the right quality of product and to have access to distribution channels. Another important element is the establishment of a policy framework that puts an emphasis on women moving into high-value non-traditional sectors. Major bottlenecks in women's entrepreneurship development are entitlement and access to productive resources, in particular, access to markets in order to find better and more remunerative business opportunities. They also include access to land, to credit and to other enabling factors such as skills training; to assistance in business plan development and follow-up; to marketing services and to favourable legislative framework and to other support services such as childcare.

Women's major occupations and source of income in many parts of the world are found in the informal sector, estimated as being typically 60 to 80 per cent<sup>96</sup>. Because there is a dearth of sex disaggregated statistics, this is probably an inadequate assessment and we could probably safely estimate it at over 80 per cent, as women constitute a majority of unpaid family managers and home-based workers. On the other hand, despite the fact that women have the primary responsibility for managing resources, they usually do not have full control of such resources. National or customary laws often deny women the right to secure title or inherit land or even have a right to dispose of their own earnings, which means they have no collateral to serve as guarantee to credit or economic freedom to improve their living conditions. Many women in fact do not even consider themselves as workers or entrepreneurs. Non-governmental organizations, notably women's coalitions such as the NGO Committee on the Status of Women within the Conference of Non-Governmental Organizations (CONGO) serve as pressure points, advocates, mentors and trainers.

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<sup>95</sup> See *Footprints and Milestones : Population and Environmental Change, The State of World Population 2001*. UNFPA. E/31,000/20001.

<sup>96</sup> ILO Report to the 277<sup>th</sup> Session of the Governing Body: First Item on the Agenda on *Employment and social protection in the informal sector*. (ILO. GB 277/ESP/1/2).

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## V. FORGING A NEW VISION OF DEVELOPMENT

There is increasing acceptance that central to the concept of development are human beings who have diverse needs, rights and aspirations which are fostered by sustainable global economic growth. This is supported by international solidarity and multilateral cooperation. By virtue of its global reach and universal membership, action plans of the world conferences constitute the basis for evaluating accomplishments over time including perspectives for advancing the status of women and gender equality. All the world conferences to date have underscored the need to draw upon the support of other sectors of society, notably of non-governmental organizations.

In a context of support by non-governmental organizations, we emphasize the need for close partnership of grassroots women and women's organizations. In this process, linking the following elements to development goals are fundamental:

1. *Eradication of the feminization of poverty.* This should be reviewed and linked to the rise in women's single-headed households. Governments have to apply active policies that would simultaneously pursue active economic and social policies and create nets to safeguard women's security and rights to resources such as land, capital and credit without conditionalities that would obstruct access to these rights and consequently to their opportunities for economic improvement.
2. *Women make up half of the world's agricultural workers and head almost a quarter of rural households.* They have often no choice in the matter of controlling their fertility and family size and spacing. Development policies should therefore include health care, including reproductive health. Their involvement in health and environmental decisions is essential to sustainable development;
3. *The formulation of structural adjustment policies and programmes* should not divert resources away from social policies, and such policies and programmes should respect diversity, including gender differences which are a necessary part of an enabling environment for social development;
4. In reviewing the *digital divide* from a gender perspective, it is crucial to consider that in e-work, e-commerce and e-business, women have less access to building their e-capacity than men; that women who work from home have less possibilities of going on-line outside due to their lack of time due to their double load as primary care givers, to their lack of technical and language skills and lack of resources;
5. *Women have strong consumer power.* Their consumption patterns are a key to determining labour standards and business ethics.
6. *Disaggregated data by sex and age.* To identify the differential impact of particular measures on women and on men, It is imperative to systematically disaggregate by sex the collection of data to distinguish of the two sexes benefit more and who would be disadvantaged. Only in this way would progress be made towards gender equality.
7. In macroeconomic policies and programmes, the *reproductive and productive role of women* are essential elements in determining such policies and practices. It is particularly significant with regard to women entrepreneurs' access to capital and credit facilities.

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## VI. A QUESTION OF ACCOUNTABILITY

It is apparent that women are overcoming many obstacles and are making significant inroads into the global labour market, trade and business. According to ILO,<sup>97</sup> in several OECD countries, emerging trends show that women-owned enterprises are the fastest growing category and that many of these enterprises are in high-value added sectors, rather than the low-level subsistence enterprises that have traditionally predominated in developing countries. On the other hand, the increase in quantity of women's employment has not been matched by improvement in quality. Women workers are often poorly protected, more vulnerable to economic fluctuations and labour market insecurity. According to studies made by various U.N. organizations, including UNCTAD, particular difficulties are encountered by women entrepreneurs in having access to finance. Despite high performance of women in loan repayment rates (often reaching 95-98 per cent), because many women entrepreneurs own very small enterprises, commercial banks do not consider that making small loans is a profitable activity.<sup>98</sup>

More than ever, the greatest challenge now to governments, the U.N. and civil society, is to exert pressure so that policy makers be accountable for all the commitments made at world conferences, and to make conscious efforts to introduce proactive policies for advancing the economic empowerment of women and ensuring a gender balance participation in economic decision-making. It is only through the involvement of the real actors and stakeholders that the international community could break the persistent and unfounded obstacles to women's development.

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<sup>97</sup> *Decent work for women: An ILO proposal to accelerate the implementation of the Beijing Platform for Action*. Bureau for Gender Equality, International Labour Organization. March 2000. E-mail: gender@ilo.org

<sup>98</sup> See Masoumeh Sahami-Malmberg, "Access to Financial Services for Women Entrepreneurs" in *Trade, Sustainable Development and Gender*. Geneva and New York: United Nations, pp.329-334.

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## ***REFLECTIONS ON GENDER AND INTERNATIONAL TRADE FROM THE PERSPECTIVE OF A RESEARCHER IN THE AGRICULTURAL SECTOR***

by  
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### ***I. INTRODUCTION***

My work as an economist includes research with East African colleagues on the gender dimensions of international trade in Kenya, Tanzania and Uganda. As part of a project with Women Working Worldwide (WWW), we intend to examine the extent to which the national trade policy process is transparent and includes the interests of women, particularly women involved in the horticulture sector as workers and as contract farmers. The priority of WWW is to get the viewpoints of women workers themselves into the international trade and development agenda. This small non-governmental organization also acts as a bridge between academics, trade unions, policy makers and women workers.

The WWW is in full agreement with the need to improve the capacity of developing countries to participate in the WTO and to benefit from new trade rules and globalization in general. However, strengthening developing country members' capacity for meaningful participation within WTO is not sufficient for strengthening the accountability of national governments to the poor and marginalized groups, and especially not for the poor women. Clearly, the poor do not speak with one voice and there are complementary as well as conflicting interests among different groups of poor people. Our work cannot and does not aim to represent all the voices of the poor. Instead, it focuses on particular groups of women workers: in Asia, WWW works mainly with women in the clothing and footwear industries, and in Africa we have just begun working with women in the horticultural sector.

### ***II. GENERAL OBSERVATIONS***

Our participation in this Dialogue is to contribute to UNCTAD's commitment to treating gender as a cross-sectoral issue and to make comments on the basis of our experience. Accounting for the gender dimensions of international trade, development, and finance involves more than simply looking at the impact of economic policies on women and formulating appropriate social safety nets. It requires a better understanding of conceptual tools of gender analysis and how they can be used to derive a more gender-sensitive approach to trade policy operations and analysis. UNCTAD has already developed some important tools of analysis which can help to clarify the

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links between sustainable development and international trade.<sup>100</sup> There is also a wealth of evidence which helps us to understand the transmission mechanisms through which the effects of globalization, including the implementation of new trade rules and constraints on national governments' ability to raise finance, may affect export growth, food security and social well-being.

#### A. *Gender as an economic issue for economic policy*

Despite the relatively long history of NGOs and women's organizations lobbying and producing research on gender, economic and international and trade issues, policy makers continue to see gender as essentially a social issue with little relevance to macroeconomics or international trade and this vision is reflected in policy strategies. Therefore, it is asserted that:

- (a) Gender is not only relevant when considering the social effects of macroeconomic and trade policies, but it is also an important analytical category for economic analysis and policy programming.
- (b) There is a need to address more explicitly and concretely the relevance of gender in economic and trade policy strategies and more importantly in specific operations and allocation of resources.

#### B. *Comments on the UNCTAD X Plan of Action*<sup>101</sup>

Gender is an issue for economic policy and not just for social policy. Trade, investment and competition policies, like macroeconomic fiscal and monetary policies, are not gender neutral. They are usually formulated by men and have strong male bias, but have tremendous implications for women's employment, women's poverty and women's social burden, and ultimately for the women's, their families' and the community well-being (see below for views on integrating a gender perspective). Trade can intensify pressure on women's working day which can have negative impacts on the household and community by reducing the time available for alternative activities (paid work; caring for children; household maintenance; sanitation and water collection).

Gender inequalities and male bias may adversely affect the outcome of trade and macroeconomic policies and their ability to translate new economic incentives into development. In this connection, it has been stated that: "Work on the gender dimension of international trade in developing countries has mostly concentrated on its *impact* in terms of the employment, income and welfare effects ....". But it also argues that social relations of gender have been a driving force in the evolution of the international economy and, more specifically, that gender discrimination has been a contributory factor to some long-standing concerns about trade and development ..."<sup>102</sup>

#### C. *Agriculture and gender inequalities*

Research on structural adjustment in sub-Saharan Africa shows that the supply response in agriculture is highly sensitive to gender inequalities due to insufficient incentives for women to

<sup>100</sup> See UNCTAD (1999). *Trade, Sustainable Development and Gender*, Geneva and New York, United Nations publications, UNCTAD/EDM/Misc.78.

<sup>101</sup> UNCTAD X Plan of Action, 2000, UNCTAD TD/386, Geneva, 18 February.

<sup>102</sup> See Joeke, S. (1999). "A gender-analytical perspective on trade and sustainable development", in *Trade, Sustainable Development and Gender*, p.33.

increase export crops and through the over-burdening of women's time.<sup>103</sup> A study in Tanzania shows that reducing women's time burdens in a community of smallholder coffee and banana growers increases household cash incomes by 10 per cent, labour productivity by 15 per cent, and capital productivity by 44 per cent.<sup>104</sup>

Women are responsible for between 50 and 80 per cent of food grown worldwide.<sup>105</sup> African women constitute the majority of smallholders and provide the bulk of agricultural labour,<sup>106</sup> and a growing number of rural households are female headed (31 per cent in the mid-1980s).<sup>107</sup> Despite women's central role in agricultural production, the sector is characterized by sharp gender-based asymmetries and gender biases.

#### *D. Explicit recognition of women's work burdens needed*

Women are an over-utilized, not an under-utilized resource. This has implications for the effectiveness of trade liberalization in terms of supply response; for policy consistency in terms of food security. In most developing countries women's work burden averages 20 per cent more than that of men and more so in rural areas. In both rich and poor countries, women's work is uncounted, unrecognized and undervalued.<sup>108</sup> It is an invisible policy variable insofar as the unpaid work provided, largely by women, caring for families and communities is:

- (i) An obligation which has costs in terms of time and energy ("work").
- (ii) Not remunerated by a wage ("unpaid").
- (iii) Indispensable for the continuation of the entire society ("social reproduction").
- (iv) An opportunity and a constraint for the achievement of food security, improved agricultural productivity and output.<sup>109</sup>

### **III. WEAKENED CAPACITY OF NATIONAL GOVERNMENTS TO ACHIEVE GENDER EQUITY OBJECTIVES**

*Despite well-intentioned policy mandates for gender equity, there are economic forces working against national governments' capacity to achieve these commitments. A report by the United Nations Development Fund for Women (UNIFEM) points out a paradox of government commitments to gender equality. "(T)he commitments reflect an expectation that governments are responsible for implementing policies to improve the well-being of women, especially poor women, but they do not effectively address the ways in which market liberalisation and privatisation may*

<sup>103</sup> See Brown (1995). *Gender and the Implementation of Structural Adjustment in Africa: Examining the Micro-Meso-Macro Linkages, a Synthesis of a Three Country Case Study: Ghana, Zambia, Mali*, Report prepared for the Africa and Middle East Division, Canadian International Development Agency, International Food Policy Research Institute, Washington, DC; Palmer (1991), *Gender and Population in the Adjustment of African Economies*, Geneva: ILO.

<sup>104</sup> See Tibaijuka, A. (1994), "The Cost of Differential Gender Roles in African Agriculture: A Cases Study of Smallholder Banana-Coffee Farms in the Kagera Region, Tanzania", *Journal of Agricultural Economies*, Vol. 45, No. 1, pp. 69-81.

<sup>105</sup> See FAO (1998). *Rural Women and Food Security: Current Situation and perspectives*, Rome, FAO (1999), *Filling the data gap: Gender-sensitive Statistics for Agricultural Development*, Rome, FAO (2000), *Gender and Food Security, The Role of Information: Strategy for Action*, Rome, FAO.

<sup>106</sup> See FAO, op cit.

<sup>107</sup> See FAO, op cit.

<sup>108</sup> See UNIFEM (2000), *Progress of the World's Women 2000*, New York, UNIFEM.

<sup>109</sup> Ibid.

undermine the capacity of governments to discharge these responsibilities, especially to poor women. There is a need to refocus attention on gender equality and macroeconomic policy in the context of globalization."<sup>110</sup>

Evidence from Kenya shows that women workers in the horticultural and floriculture sector experience harsh working conditions while living in secluded compounds far from their own villages. Women comprise a significant proportion of the small producers who subcontract for horticulture/floriculture firms. The implications for food production and food security have not been examined. The needs and interests of women workers and producers are not accounted for either by workers or producers' organizations.

#### ***IV. TRADE POLICIES AND TRADE LIBERALIZATION***

With reference to paragraph 53 of the UNCTAD X Plan of Action on the coherence of sectoral, tax and fiscal policies and development strategies, these impact on the ability of governments to finance social sector expenditures, which have the effect of increasing women's unpaid workload at home and in their communities. Trade taxes account for a significant share of tax revenue (about 10 per cent), especially in poor countries. Reductions in tariffs and other forms of trade taxes can reduce social service expenditure – where social service provision is reduced, the burden is shifted to the household – into the laps of women.<sup>111</sup>

The roles and interests of women entrepreneurs, women policy analysts and representatives of women's organizations need to be included in policy analysis and consensus building in the area of international trade. Evidence from East Africa suggests that trade policy discussions tend to be restricted to a small group of insiders, where the interests of women entrepreneurs, workers and community organizations are not taken into account, and important information on new trade rules and their likely implications do not enter the public domain. Improving the external transparency of trade policy negotiations and their implications for different stakeholders needs to include women and women's organizations on such an agenda. Resources need to be devoted to identifying stakeholders in partner countries.

A recent publication makes the point that in Uganda women comprise a substantial proportion of the micro- and small enterprise sector,<sup>112</sup> but the importance of this work is ignored in policy discussions. Strategies for support to small and medium-sized enterprises (SMEs) should consider the micro-enterprise sector, and take explicit account of the particular constraints and opportunities of women in this sector.<sup>113</sup>

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<sup>110</sup> See UNIFEM (2000), *Progress of the World's Women 2000*, New York, UNIFEM.

<sup>111</sup> See Palmer, (1995). "Public Finance from a Gender Perspective", *World Development*, Vol.23, No. 11; Elson, D. Evers, B. and Gideon, J. (1997) *Gender-aware Country Economic Reports: Concepts and Sources*, Working Paper No. 1, Genecon Unit, Graduate School of Social Sciences, University of Manchester.

<sup>112</sup> Snyder, M. (2000). *Women in African Economies, From Burning Sun to Boardrooms*, Kampala, Fountain Publishers.

<sup>113</sup> See Elson, D., Evers, B. and Gideon, J. (1997). *Gender-aware Country Economic Reports: Concepts and Sources*, Working Paper No. 1, Genecon Unit, Graduate School of Social Sciences, University of Manchester.

## **V. MARKET ACCESS**

Harris-White, in connection with his observations on the UNCTAD Plan of Action (paragraph 132 on Market Access), provides an example of gender bias in grain markets in Guinea,<sup>114</sup> where women are extensively involved in grain production and marketing:

- (a) Men control strategic decision-making, key assets and access to information.
- (b) Men dominate long-distance interregional trading, and the marketing system as a whole is controlled by men, which limits the women traders' commercial potential.
- (c) Women face higher costs than their male counterparts: their wholesale trading costs are 12 per cent higher; transport costs are 55 per cent higher and storage costs are 200 per cent higher than those of the male traders.

Even so these staple-food marketing systems do provide income for a large number of women, the costs of gender asymmetries in marketing systems are borne by women themselves - in the form of reduced returns to them as traders and often also as consumers who pay higher prices than would otherwise be the case. Gender-induced inefficiencies mean that women traders are increasingly unable to compete with imported rice (which is entirely controlled by men) and may result in loss of livelihoods for women producers.

The ability of women to expand non-traditional agricultural exports (NTAE) and to generate sufficient surplus to re-invest in NTAE crops as well as to meet subsistence and domestic household needs requires market-enabling reforms to reduce gender-based constraints. There is thus a need for more research into gender bias in marketing structures and this should be taken into account in the design of effective and gender equitable policies to expand the production of export and foods crops.<sup>115</sup>

## **VI. GENDER-BLIND ASSUMPTIONS ABOUT FUNCTIONING OF MARKETS**

Reductions in tariffs and subsidies associated with WTO regulations stimulates a set of responses in Member Countries. A gender-blind approach anticipates that producer countries will expand exports of agricultural products as reductions in agricultural tariffs proceed in rich countries. It is also reasonable to assume that the foreign exchange earned will be allocated to food imports, which are purchased and equitably distributed in the household. Instead, however, export production and household food security might be jeopardized by gender bias in markets and gender bias in control over household resources.<sup>116</sup>

How producers and consumers actually respond to these changes depends on the rules and norms of market institutions as well as on the structure of households and farms (the degree to which work and resources are shared, for instance). There are gender-based distortions which influence market responses to the new incentives. Overwork of women, lack of women's control over the fruits of their labour and lack of access to productive inputs can inhibit women's supply response in the cash crop sector.

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<sup>114</sup> See Harriss-White, Barbara (1998). "Female and male grain marketing systems: analytical and policy issues for West Africa and India". in Cecile Jackson, and Ruth Pearson, eds. *Feminist Visions of Development: Gender Analysis and Policy*, London and New York, Routledge: pp. 189-213.

<sup>115</sup> See Evers, B. and Harrigan, J., 2001. *Seaga Macro Manual*, Produced for the Seaga Programme, Rome, FAO, Final Draft, mimeo.

<sup>116</sup> Op.cit.



The demands of cash crop production on women's and men's labour and land may lead to reductions in productivity and/or output of female-intensive food crops if a woman's labour is drawn into her husband's cash crop and away from her own food crops.<sup>117</sup> Expansion of male controlled export crops may result in a decline in the share or absolute amount of household income under women's control. This may occur if women do not have the time to produce food crops for sale in local markets. Less cash under women's control may mean a smaller share of expenditure allocated to household welfare. Thus, tracing the linkages from trade policy to household impact will be more accurate if the gender dimensions of production and trade are taken into consideration.

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<sup>117</sup> See Evers, B. and Walters, B. (2000). "Extra-Household Factors and Women Farmers' Supply Response in Sub-Saharan Africa" in *World Development*, Vol. 28, No. 7, pp. 1341 - 1345.

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## ***HIGHER EDUCATION FOR SUSTAINABLE DEVELOPMENT: THE LÜNEBURG-PROCESS***

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### ***I. EDUCATION AND SUSTAINABLE DEVELOPMENT***

The promotion of education, information and cooperation in the development of scientific and technological knowledge for sustainable development was among the topics discussed at the Interactive Thematic Session on Education for All, held during the U.N. LDC-III Conference in Brussels on 16 May 2001. Education in all its forms (primary, secondary, vocational, higher and lifelong) plays an indispensable role in addressing the critical challenges of development.

Hence, higher education has a special responsibility to conduct the scholarship and scientific research necessary to respond to these challenges. The role of universities in development must be seen in the context of globalization and in the cultural and technical dimensions of the knowledge transfer in training and research. The main issues are therefore (a) how does higher education contribute to sustainable human development? and (b) how can higher education help to humanize globalization?

Higher education is critical to the achievement of sustainable development in its role for education, training and awareness-building. Higher education is among the key issues for all sectors of society such as governments, industry and business, the scientific community and non-governmental organizations in their pursuit of sustainable development. Hence, higher education plays a crucial role as a cross-cutting issue for the entire process of implementing the principles of sustainable development, including science and research, policy-making, capacity-building and technology transfer.

It is well acknowledged that, since the UNCED Conference in Rio de Janeiro in 1992, many higher education institutions, organizations, government agencies and individuals worldwide have made significant efforts to incorporate sustainability into academic programmes, operations and community outreach. Two areas of university life have emerged as particularly fertile in the context of higher education and sustainable development: the area of lifelong learning, in which the productive sector often draws closer to the university and the management of the university, where the capacity to foster change in attitudes and procedures is highest. However, existing programmes and initiatives remain primarily isolated efforts, and much is still to be accomplished. In the light of the need to meet the challenge of a sustainable future, this situation underscores the significant concerns for making sustainability a major focus of higher education so that the principles of sustainable development can be pursued and promoted by higher education institutions.

## II. GHESP – A PARTNERING INITIATIVE

Some progress has been made in introducing an interdisciplinary approach into teaching and research, as well as in including appropriate materials on sustainable development in study courses and curricula. Partnering and networking has improved, for example, through the forming of the Global Higher Education for Sustainability Partnership (GHESP) by CRE-COPERNICUS, the International Association of Universities (IAU), the University Leaders for a Sustainable Future (ULSF) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

Together, the founding partners of the initiative represent a unique effort to mobilize the resources of universities and academia in favour of sustainable development: COPERNICUS is responsible for the *University Charter for Sustainable Development*, that to date has been signed by more than 290 university heads in 37 European countries. ULSF serves as the Secretariat of the 280 signatories of the *Talloires Declaration* in over 40 countries. The UNESCO-based International Association of Universities (IAU) was established to provide, on an international level, a centre of cooperation among the universities and similar institutions of higher education of all countries, as well as among organizations in the field of higher education generally. With major lines of action in the areas of higher education information services, policy research and international cooperation, IAU adopted, amongst others, the *Kyoto Declaration* and *Agenda 2000 for Sustainable Development* in 1993. This cooperative partnership is being organized in close collaboration with UNESCO as task manager for the implementation of Chapter 36 of Agenda 21. The organizing partners are currently seeking to identify and recruit other similar networks of academic leaders/institutions concerned about sustainability, especially from the South.

The purpose of GHESP is mainly to (a) review progress in higher education in making sustainability central to teaching, research, outreach and operations to identify exemplary practices and strategies for making sustainability more central to university life, and to share what we have learned in working with our networks of institutions attempting to become more sustainable; and (b) analyse the progress being made in the Higher Education Sector since UNCED in 1992 and to contribute actively to the Rio+10 process for the World Summit on Sustainable Development to be held in Johannesburg in 2002 by preparing a comprehensive assessment on how the principles of sustainable development can best be pursued and promoted by higher education institutions. This partnership initiative responds in particular to the call for the development of a “university platform for sustainability” and other recommendations of the UNESCO World Conference on Higher Education and to decisions taken at CSD-VI.

The intention of the partnership is to play an active role in planning for the inclusion of higher education in the Rio+10 agenda. Therefore, other key organizations that will bring their networks and constituencies to this effort are being invited to be part of this partnership. Furthermore, the involvement of business, industry, multilateral financial institutions and other stakeholders (who must understand the importance of education in their own efforts to achieve sustainability) is another clear objective of this partnership, as well as the involvement of other United Nations organizations and agencies active in the field of higher education such as UNU, UNEP, UNDP and others. All of these together should bring this effort to the attention of governments in order to strengthen the role of higher education for sustainable development.

The aims of the Global Higher Education Partnership for Sustainability reflect both the desire to promote a global know-how transfer among higher education institutions and to identify, promote and disseminate exemplary practices and strategies for making sustainability more central to university life, making these accessible to universities and higher education institutions worldwide, especially in developing countries, understanding that there must be diverse approaches to

sustainability in higher education. By playing a catalytic role, this initiative should (a) stimulate universities, higher education institutions and higher education networks to exchange their views and to disseminate the results achieved in many projects devoted to higher education for sustainable development, and (b) help them to make sustainability a central aspect of research, curriculum, operations and outreach more effectively. This exercise will help higher education institutions in their efforts to pursue sustainability and ultimately to contribute to a more sustainable society. In this respect, universities and higher education institutions are being perceived as critical to the achievement of sustainable development in pursuing their role as major disseminators of information and knowledge.

### ***III. THE LÜNEBURG CONFERENCE***

The organizing partners taking a lead in this initiative are inviting involvement and input from the business community, public authorities and NGO's active in the field of higher education for sustainable development. In particular, governments are urged to use this initiative to stimulate and undertake national reviews of their higher education systems and to share the findings of these exercises with the partnership initiative. It is also intended that the Global Higher Education Partnership for Sustainability would provide a global platform for a multi-stakeholder dialogue on higher education for sustainable development in the overall Rio+10 review process.

With this purpose in view, a representative group of university teachers, researchers, students, administrators, industrialists, political leaders and members of concerned university associations as well as members of governmental bodies and NGOs, met in Lüneburg, Germany, from 8 to 10 October 2001, for a Conference on "Higher Education for Sustainability: Towards the World Summit on Sustainable Development 2002". This Conference was jointly organized by the University of Lüneburg and the COPERNICUS-Programme of the European University Association with the support of the Federal Ministry for Education of Germany, the German Environmental Foundation and the German UNESCO Commission. It was sponsored by the GHESP.

### ***IV. THE WAY FORWARD***

The discussions in this Conference resulted in a broad understanding among the participants on the need for mobilizing the resources of universities and academia in favour of sustainable development, in order to achieve sustainability in higher education more rapidly. This understanding being expressed in the "Lüneburg Declaration". The highlights of the Conference deliberations are summarized below and the "Lüneburg Declaration on Higher Education for Sustainability" is attached as an annex to this paper.

1. The participants in the Lüneburg Conference appeal to the persons and organizations participating in the World Summit on Sustainable Development to be held in Johannesburg in 2002 to reaffirm that higher education must play a central role within the overall process of achieving sustainable development to create a just, equitable and sustainable future. Hence, the Johannesburg Summit should consider higher education as an integral part of the efforts to be made in achieving a more sustainable society, involving the promotion of technological innovation to improve the quality of life.

2. In this respect, universities and higher education institutions must be perceived as critical to the achievement of sustainable development in their role as important disseminators of information and knowledge with outside partners such as business enterprises' associations, governments and international organizations, as well as NGOs.
3. The Johannesburg Summit should recognize that supporting higher education institutions in their efforts to pursue sustainability and ultimately to contribute to a more sustainable society is of increasing importance. Therefore, universities and higher education institutions should be (a) stimulated to exchange their views and to disseminate the results achieved in many projects devoted to higher education for sustainable development, and (b) supported more effectively to make sustainability a central aspect of their research, curriculum, operations and outreach.
4. In particular, governments are urged to stimulate and undertake national efforts in furthering higher education for sustainable development within the context of the preparation of the Johannesburg Summit, and to strengthen the role of higher education for a more effective contribution to sustainable development in the follow-up of the Summit.
5. The Johannesburg Summit should support partnering and networking so that good practices should be made more accessible to all higher education institutions in order to strengthen the role of higher education for sustainable development. This process should respect diverse approaches to sustainability in higher education. The working processes could be optimized using information and communication technology.

## Annex

The Lüneburg Declaration  
on  
Higher Education for Sustainable Development

Education in all its forms plays an indispensable role in addressing the critical challenges of sustainable development. The interconnected issues of globalization, poverty alleviation, social justice, democracy, human rights, peace and environmental protection require inclusive partnerships to create a global learning environment.

Higher education has a catalyst role vis-à-vis education for sustainable development and the building of a Learning Society. It has a special responsibility to conduct the scholarship and scientific research necessary to generate the new knowledge needed and train the leaders and teachers of tomorrow, as well as communicate this knowledge to decision-makers and the public-at-large.

The ultimate goal of education for sustainable development is to impart the knowledge, values, attitudes and skills needed to empower people to bring about the changes required to achieve sustainability. Quality education for sustainable development needs to be based on state of the art knowledge and to continually review and update curricula and teaching materials accordingly. It needs to serve teachers, other professionals and all citizens as life long learners to respond to society's challenges and opportunities, so that people everywhere can live in freedom from want and fear, and to make their unique contribution to a sustainable future.

In October 2001, a conference on “Higher Education for Sustainability: Towards the World Summit on Sustainable Development 2002”, was held at the University of Lüneburg, Germany. The conference was jointly organized by the University of Lüneburg and the COPERNICUS Programme of the European University Association (EUA) and was sponsored by the Global Higher Education for Sustainability Partnership (GHESP) formed by COPERNICUS, the International Association of Universities (IAU), the Association of University Leaders for a Sustainable Future (ULSF) and the United Nations Educational, Scientific and Cultural Organization (UNESCO).

GHESP partner organizations and the experts in attendance at this conference endorse the following:

1. Taking into account the recommendations and results of:
  - UNCED: Chapter 36 of Agenda 21 (1992);
  - The International Work Programme on Education, Public Awareness and Training for Sustainability adopted by the UN Commission on Sustainable Development (1996);
  - International Conference on Environment and Society (Thessaloniki, 1997);
  - World Conference on Higher Education (Paris, 1998);
  - World Conference on Science (Budapest, 1999);
  - World Education Forum (Education for All) (Dakar, 2002); and

2. Building upon the significant networks of the three academic associations which founded GHESP, beginning with over 1,000 colleges and universities which pledged to implement comprehensive sustainable development action steps by signing the charters and declarations sponsored by these three organizations;
3. Calls on higher education institutions, NGO's and other stakeholders to:
  - a. Ensure the continual review and updating of learning materials to reflect the latest scientific understanding of sustainability;
  - b. Ensure that the reorientation of teacher education towards sustainable development continue to be given priority as a key component of higher education;
  - c. Provide continuing education to teachers, decision makers and the public at large on sustainable development;
  - d. Encourage all educational institutions to include in their activities a strong component of reflection on values and norms with respect to sustainable development;
  - e. Raise awareness and increase understanding of the importance and relevance of technology assessments and risk assessment;
  - f. Promote the creative development and implementation of comprehensive sustainability projects in higher education, and all other levels and forms of education;
  - g. Increase attention to the international dimension and provide more opportunities for inter-cultural exchange in the learning environment;
  - h. Increase a focus on capacity development and intensified networking among institutions of education; and
  - i. Promote stronger integration of training and research and closer interaction with stakeholders in the development process.
4. Calls on governments to ensure that the World Summit on Sustainable Development includes education in general, and higher education in particular, in the future international programme of work.
5. Calls upon the United Nations to:
  - a. highlight in the Secretary-General's main policy report the indispensable role of education in general, and higher education in particular, in achieving sustainable development as stated in chapter 36 of Agenda 21.
  - b. make education a discussion topic during the multi-stakeholder dialogue sessions to be held during the preparatory committee meetings for the Johannesburg Summit and during the Summit itself.
6. Calls on UNESCO as task manager for chapter 36 of Agenda 21, in cooperation with UNU and other relevant parts of the United Nations system, to support these efforts concerning the Johannesburg Summit.
7. Furthermore, the EUA-COPERNICUS, the International Association of Universities (IAU), and the Association of University Leaders for a Sustainable Future (ULSF) commit to achieving the following targets within next five years:

- a. Create a global learning environment for higher education for sustainable development;
- b. Promote expanded endorsement and full implementation of the Talloires, Kyoto and Copernicus declarations;
- c. Produce an action-oriented Toolkit for universities, managers, administrators, faculty and students designed to move from commitment to concrete action.

The Tool Kit would include:

- implementation strategies for colleges and universities depending on size, type, demographic characteristics, etc.;
  - strategies for reform in particular areas of university activity, including teaching, research, operations and outreach, or for comprehensive change across all universities activities;
  - an inventory of available resources;
  - an inventory of best practices and compilation of case studies;
- d. Enhance the development of Regional Centres of excellence in both developed and developing countries, and effective networking among them.

The Lüneburg Declaration on Higher Education for Sustainable Development was adopted on 10 October 2001 in Lüneburg, Germany, on the occasion of the International COPERNICUS Conference “Higher Education for Sustainability – Towards the World Summit on Sustainable Development (Rio+10)” held at the University of Lüneburg 8 to 10 October 2001.



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## ***FINANCING FOR DEVELOPMENT: WHAT IS THE ETHICAL BASIS?***

*by*  
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### ***I. INTRODUCTION***

The title and goal of the forthcoming World Conference - to be held in Mexico from 18 to 22 March 2002 – is Financing for Development. It will be concerned with an urgent task of the world community. What is its ethical basis? How can the financial markets as part of the global trading system be at the service of development? The following seven short chapters indicate the direction of answers to these two questions: Justice is seen as a main ethical basis, followed by six selected demands made from the point of view of a Christian development organization, which can be listed as: respecting justice in global finance, strengthening ethical investment, reducing international tax dumping, taxing short-term currency transactions, developing debt ethics, and combating corruption and money laundering.

### ***II. TEN ETHICAL CRITERIA OF RESPECTING JUSTICE IN GLOBAL FINANCE***

Fairness in the global trade of goods, services and capital means fair conditions of exchange. This is a cornerstone of the economy in general and of trade in particular. In a future-oriented global community and in economic relations, the fundamental value of *justice* pertains to the following ten aspects:

A. *Performance-related justice* means that every person (indeed every living being, i.e. also of non-human nature) who is involved in the production, trade, sale or disposal of a product must be given their due on the basis of their performance. Such justice allows for a fair assessment of and compensation for performance.

B. *Needs-related justice* means that a fair exchange of goods must take into consideration human needs, i.e. the subsistence minimum and a life in dignity. Apart from performance, human need is the second criterion for economic justice. The fact that human beings are more than their performance and do not acquire their salvation through performance is at the core of the Christian view of humankind. Performance-related and needs-related are not opposites but must complement each other.

C. *Distributive justice* ensures that goods are distributed fairly, while performance and needs are taken into measured consideration to pursue the aim of social equalization. The shares of countries and continents in world trade are far apart and are growing even farther apart; this distribution is an urgent problem of justice. The ethical acceptability of market mechanisms and government and multilateral liberalization or regulation policies must be measured against, among other things, whether they facilitate or aggravate fair distribution.

D. *Justice as equal treatment* (among other things, with respect to gender): this allows for equality of opportunity. Equality is a central characteristic of justice throughout the various ethical conceptions of justice. The equality of all human beings is substantiated differently in the different ethical approaches. For theological ethics, equality in terms of the precept of equal treatment is substantiated in various ways: in the theology of creation, by the proposition that all human beings are a living image of God; in Christology (in terms of Christ), in Jesus Christ's offer of liberation, which is addressed to everyone; and in pneumatology, by the spirit of love through which we respect our neighbours as ourselves. The principle of equal treatment and equality of opportunity is also of particular significance in terms of the equal treatment of genders.

E. *Participatory justice* means the fair, appropriate participation in decision-making of all those involved in an economic process. Justice is not an absolute quality but must be jointly renegotiated. Justice is a participative process. This participative structuring of the world economy concerns all the levels from the small producer who negotiates a fair price, to democratic participation in the establishment of national trade policies, and to equal rights in government cooperation for the negotiation of international treaties.

F. *Ecological justice* means a sustainable use and fair distribution of resources, as well as a reduction in and a fair distribution of ecological burdens. A fair distribution of resources and burdens extends to three dimensions: between generations living today, between today's and tomorrow's generations, and between human beings and their non-human environment. When distribution conflicts arise, justice with regard to ecology stipulates the preferential rule that the elementary needs (basic needs) of today's or future generations or the non-human environment have priority over the non-elementary needs of today's or future generations or the non-human environment. The right to a subsistence minimum has priority over the right to self-realization. One of the prerequisites for ecological justice is the cost transparency in relation to goods.

G. *Allocation-related justice* means the fair placement and weighting of production factors, with the other nine aspects of justice taken into due account. Allocation – i.e. the allocation of the production factors land/natural resources, labour and capital both in weighting and in geographical allocation – is one of the economy's major tasks. Trade, the worldwide movement of production factors, plays a central role in this. The relation between globality and locality is a problem of this aspect of justice. Trade is fair when allocation is fair. In a market economy, allocation is primarily carried out through pricing. This is why in market-economic conditions, fair prices are crucial for allocation to be fair.

H. *Relational justice* views a trading partner not merely as an economic object and a homo oeconomicus who creates maximum benefits, but also as a human being with whom a relationship is built up. The globalized economy does not only result in a rapidly increasing mobility of goods and capital, but also of people and of relations between trading partners. "Loyalty" to a producer, or of consumers to a brand or firm, is rapidly decreasing. This aspect of justice raises the question as to how this mobility of relationships, which in many trading sectors is almost total by now, can be replaced by a humane mixture of long-term and changing relations without keeping flagging production structures artificially alive.

I. *Procedural justice* means calculable, constitutional (publicly and privately) regulated, transparent, corruption-free and thus fair procedures in trade and capital movements. Justice with regard to procedures is a necessary constituent particularly of justice in terms of equal treatment and impartiality, but also in relation to justice with regard to performance, participation and distribution. In trade relations, monitoring, the continuous surveillance of and checks on compliance with trade criteria, is a necessary component of fair procedures.

J. *Interlinked justice* places the various aspects of justice in relation to each other as in a network since no aspect alone is tantamount to justice as a whole. This interlinkage also prevents justice from being rendered absolute. It safeguards the relations (relational nature) with and the equilibrium between the other fundamental values. Every fundamental value can become a negative value if it is rendered absolute. The basic ethical principle of love unfolds in various fundamental values such as freedom, reconciliation, justice, human dignity, solidarity, etc., which, however, only lead to love if they remain related to each other, relational, interlinked. This is particularly true for the balance between freedom and justice.

*Fair play and justice: what does it mean for "Financing for Development" and capital markets?*

### **III. STRENGTHEN ETHICAL INVESTMENTS**

Trade has depended on functioning financial markets ever since the Middle Ages. It has often evolved in tandem with them. How can the credit and financial markets be aligned with the fundamental value of justice?

#### *A. Ethical investments*

Ethical investments are investments in the credit or capital market which, in addition to the classic investment criteria of yield, security and availability, also take into account social, ecological and development-related criteria (positive/promoting or negative/excluding). The aim is an investment in line with the fundamental criteria, availability and security of the capital, and an ethically acceptable optimal (not maximum) return.

In Switzerland, in 2000, more than 5,000 billion francs were held in investments, of which 1,450 billion were held in shares. Ethical/ecological investments accounted for 5 billion francs, i.e. 0.01 per cent. In the Anglo-Saxon world, ethical investments have the longest tradition, are most widespread, and already represent a few per cent of the sum-total of investments.

#### *B. Responsibility of investors and governments*

Today, ethical investments are an important incentive instrument of ethical business. Banks and insurance companies (green, alternative, development-oriented, etc.), pension funds, bond issues/convertible bond issues, direct participation/venture capital, holding companies, joint-stock companies, ethical investment funds, investment clubs, real estate, foundations: many instruments for ethical investments are available on the market. But they must be carefully checked for their criteria of varying strictness! The international community and the national governments have therefore to encourage and regulate the growing market of ethical investments by incentives and other legal measures. Ethical investments should not be seen (and abused) as an alternative to development aid. Both are necessary!

### **IV. REDUCING INTERNATIONAL TAX DUMPING AND EVASION**

Financing for development needs higher tax income in developing countries. But these countries are losing at least US\$ 50 billion per year as a result of tax evasion! This is six times the

amount needed to pay for the education of all children in the world. The high competition through economic liberalization leads to a high and still growing international tax competition. Most countries pay a price for it, but the negative effect is much heavier for developing countries. It is a contradiction if OECD countries force developing countries to increase their tax income, but accept the pressure of the multinational corporations for tax reductions and lower taxes on profits and do not fight enough against tax evasion. The rates for taxes on profits paid by U.S. multinationals operating in the South dropped by about a half, from an average of 54 per cent to 28 per cent between 1983 and 1996. The flight to tax havens with its destructive effect on development is so heavy that international efforts are urgent. It includes, of course, Switzerland as one of the offshore centres.

### *Concrete proposals*

From the point of view of global development ethics, based on the ten above-mentioned criteria of justice, the central requirements to combat tax dumping can be seen as follows (see Gurtner, 2001, p.7):

1. Developing countries must be allowed to cooperate in international measures and incorporate their own interests (participatory justice).
2. Multinational enterprises should be subjected to a global standard tax basis (performance and distributive justice).
3. Tax evasion must be fought multilaterally on the basis of common standards (procedural justice).
4. A global fiscal authority should be set up to examine national tax systems and identify negative global influences (justice as equal treatment).
5. An international convention must be established to trace and recover assets which have been illegally siphoned off (procedural justice).
6. Smaller, dependent tax havens should be offered technical and financial support to wean their national economies off their dependence on harmful practices.
7. Mutual exchange of information among tax authorities must be intensified (participatory justice).

## **V. TAXING SHORT-TERM CURRENCY TRANSACTIONS**

"Financing for Development" is not possible without new sources of finance! To tax short-term speculative currency transactions is a proposal which is much more realistic and important than is stated by its enemies.

*Foreign currency trade* is the purchase and sale of foreign currency, i.e. of payment requests payable in foreign currencies from foreign locations. In the free-market system, it primarily involves the currency transactions of interbank trade, but also of big multinational corporations. *Forward exchange deals* serve to cover the exchange rate risks. *Foreign exchange speculation* is the purchase/sale of foreign currencies in the expectation that their exchange rate will rise/fall and that they can be sold/repurchased at a profit. Short-term, speculative exchange deals shifted some US\$ 1,300 billion worldwide *every day* (in 1995)! This is many times the volume of real border-

crossing trade in goods and services, which amounted to about US\$ 4,800 billion *in that year* and thus accounted for less than 2 per cent of international capital movements.

*Ethical challenge: "civiliser l'argent"*

- (a) Contentious proposition: "Capital market speculation is ethically admissible since it fulfils an objective function in the economy: it reduces the uncertainty about corporate shares' marketability on the stock exchange. Gains from speculation are therefore payments for that service." (see Koslowski, 1997, p.70)
- (b) Short-term foreign exchange speculation must be "reined in" or "civilized" since its consequences in terms of trade policy (distortion of trade flows and allocation), national economies (destabilization of exchange rates) and development policy claim many victims, the high speculation profits do not satisfy the criteria of fair profit and such speculation results in a massive increase in the inequality of ownership without making an essential contribution towards an improvement in living conditions.
- (c) Various instruments of ethical business are discussed for foreign exchange trade and speculation, such as voluntary codes of conduct for agents on the spot and forward exchange markets, limitation of bonuses, and an international tax on short-term currency transactions. The existing proposals for mechanisms for such a tax are concrete and must be taken seriously (see Stückelberger, 2001, p.194).
- (d) The current debate on the "Tobin-tax" is still too much concentrated in OECD countries. Participatory justice requires the inclusion of more developing countries in this debate, which is not yet the case, as was shown by the results of three studies by Bread for All in 2001.

## **VI. DEVELOPING ETHICS OF DEBT**

Debts are an important part of global finance. Therefore ethics of debt contribute a part of the ethics of global finance. Debt ethics develop an ethical criteria and possible problem solutions for dealing with the various forms of private and public debt. Since the terms of trade play a crucial role with regard to the causes of indebtedness and its mastery, debt ethics are a central part of economic ethics and development ethics as a whole.

### *A. Important approaches to debt relief*

First, four of the ongoing approaches are considered:

1. *HIPC I and II*: initiatives by the IMF and the World Bank to cancel the debts of the poorest developing countries - Highly Indebted Poor Countries (HIPC) - down to a so-called sustainable debt burden of 25 per cent of export revenues and with the condition of implementing measures in the field of economic policy.
2. *Jubilee 2000*: worldwide NGO/church campaign for the unconditional cancellation of HIPC countries' debts down to a sustainable debt burden of 5 per cent of export revenues.

3. *Creative debt relief with counterpart funds*: bilateral or multilateral debt relief, which uses part of the cancelled debt in local currency through a development fund for development projects in the country concerned. This has been successfully practised by Switzerland with twelve countries since 1991.
4. *International insolvency law*: latterly called Fair Transparent Arbitration Process (FTAP), for highly indebted countries, with a participative decision-making mechanism between debtor and creditor countries.

#### *B. Ethical criteria for debt relief measures*

Debts must be cancelled in such a way that:

1. The remaining debt burden will respect the safeguard of the population's existence (fundamental value: preservation of life).
2. The causes of debt will be reduced (fundamental value: sustainability).
3. Both debtor and creditor will assume their share in the responsibility for the debt (ethically important link between power and responsibility).
4. The debtors shall profit more from the debt relief measures than the creditors (this was already formulated by John Calvin the Reformer).
5. Future generations will have to take over only a sustainable debt burden (the fundamental value here relates to intergenerational justice).

### ***VII. COMBATING CORRUPTION AND MONEY LAUNDERING***

Corruption and money laundering have very negative effects on development and are direct reasons for the lack of finance for development (see Stückelberger, 1999). The negative effects of corruption and money laundering on development could be said to kill even more people than does HIV/AIDS. Where are the billions of dollars and the political will to combat this disease?

The above mentioned efforts ranging from ethical investments to debt reduction will not be credible and not sufficiently effective unless they are combined with measures for combating corruption and money laundering. Many governmental, intergovernmental and non-governmental steps and measures are very positive, but much more needs to be done, including codes of conduct against corruption and stronger legal mechanisms. Educational measures and programmes in schools, to reinforce the efforts to overcome corruption, are urgently needed, to deal with this global cancer. In many cases, this "cancer" can effectively be cured and new "drugs" against it can be developed by international community action and solidarity.

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*PART III*

***OUTCOME OF THE DIALOGUE AS SUMMARIZED BY THE CHAIRPERSON***



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## OUTCOME OF THE DIALOGUE AS SUMMARIZED BY THE CHAIRPERSON

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At the close of the meeting, the Chairperson summarized the outcome of the discussions of the three selected issues reviewed during this one-day Dialogue into two main areas of future common work for UNCTAD and civil society actors. Such follow-up activities could be effectively implemented by forging a platform/alliance in order to achieve the objectives of UNCTAD and representatives of civil society. It was agreed that this should be done and that the substance of future co-operation should chiefly focus on the following themes :

- I. Civil society follow-up to the commitments made at UNCTAD X and the Third United Nations Conference on the Least Developed Countries.
- II. Follow-up to the Fourth WTO Ministerial Meeting held in Doha: the post-Doha challenge to the developing countries.

The following *specific subject matters* of interest were identified by the participants within these two broad themes and would be further prioritized by UNCTAD, in the light of its specific mandate and available resources:

- Social dimensions of globalization
- Market access and competition policy issues
- Impact of the TRIPS Agreement, including public health issues and protection of traditional knowledge
- Gender and development
- Fair trade issues/practices
- Employment and labour issues (core labour standards)
- Promotion of high values in education and training
- Financing for Development: Debt cancellation, HIPSs
- Poverty and livelihood issues, including sustainable livelihood practices
- The development paradigm: converting theoretical paradigms into diverse and practical strategies.

UNCTAD and civil society actors would then implement jointly these activities based on these priorities.

The following *actions* were suggested for the implementation of these activities:

- An UNCTAD/Civil Society platform will be established as a basis for working co-operation, including the channelling of inputs to UNCTAD deliberations and to civil society actors.
- The papers contributed on the occasion of the Dialogue would be summarized in order to extract their principle ideas and overall recommendations; UNCTAD/CSO would then also consider the feasibility of publishing these materials.
- UNCTAD/CSO would endeavour to organize a follow-up Dialogue to examine the progress made in establishing the UNCTAD/Civil Society platform and to review the work focusing on two to three selected issues.

## ANNEX

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