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HEARING WITH CIVIL SOCIETY AND THE PRIVATE SECTOR
29 September 2005, Palais des Nations, Geneva

Executive summary

Pursuant to paragraph 117 of the São Paulo Consensus, the Trade and Development Board convened the second hearing with representatives from civil society and the private sector, allowing them to express their views on issues before the Board. The hearing was held on 29 September 2005 and was attended by member States, civil society organizations and private entities.

The hearing was chaired by the President of the Trade and Development Board. Following opening remarks by the Chairperson and the Officer-in-Charge of UNCTAD, lead discussants and other participants were given the floor to express their views on the agenda items of the hearing. A summary of the views expressed is presented below.

High-Level segment: Economic growth and poverty reduction in the 1990s: Lessons from a decade of economic reform for development strategies and global partnerships in the new millennium

1. The lead discussant for this theme expressed concern about how the situation for many countries had worsened rather than improved. Though there had been remarkable growth in China and India in the 1990s, the period had been characterized by stagnation and even reversal for many countries in terms of development. The gap between rich and poor had increased, highlighting a need to examine the policies pursued.
2. Economic growth alone would not solve problems, and due consideration also had to be given to poverty reduction. The speaker expressed disappointment with the failure of the recent UN Summit to establish a concrete time frame for developed countries to achieve the target of 0.7 per cent of GDP for official development assistance (ODA) and the failure of member States to commit to targets set forth by the Millennium Development Goals. While it was noted that some improvements had been achieved in the areas of debt and aid at the recent G8 summit, deep concern was expressed with regard to the conditions imposed on countries in order to receive debt relief and aid. The question was raised as to what potential role UNCTAD could play in promoting increased ODA and removing such conditionalities.
3. With respect to trade, the UN Summit had produced a vague statement reaffirming countries' commitment to trade liberalization. Attention should be paid to the trade barriers that had been identified by members of civil society, since these barriers had prevented small producers from entering and participating in the trading system.
4. With regard to gender and trade, attention was drawn to the fact that a disproportionate number of women were living in poverty. Poverty was felt most profoundly by women due to their limited access to public services and education. The speaker raised the question as to the role UNCTAD could play in strengthening the gender element in the trade agenda.
5. Poverty reduction was still a major challenge for many developing countries, despite good progress in many policy areas. It was emphasized that there are 400 million chronically poor people around the world, with approximately 3 billion people living under the poverty line. Judging from past experience, the market would not solve the problem of the poorest of the poor. Markets would never be interested in the welfare of the poorest segment of the population, as businesses were more concerned with contracts and property. Market forces and economic growth alone would not serve to alleviate poverty. In the past, many models had failed to represent the interests of ordinary people. For example, investing in mining and tourism alone would not bring social development unless it was accompanied by pro-poor policies. The example of the United Republic of Tanzania was given, where, despite strong macroeconomic fundamentals and encouraging economic growth rates, poverty was still growing in many segments of the society. As a possible explanation to this paradox, several participants mentioned the large share of "working poor" and the need for decent wages.

6. Growth might not be sufficient in itself, but it was certainly a necessary condition to achieve poverty reduction, as economic growth enabled countries to strengthen their health and education systems. However, in the presence of inequality, there was often no economic growth. In order to minimize the gap of inequality, tax and different income distribution systems should be in place. The importance of income distribution was emphasized, and in this connection reference was made to the examples of Brazil and Thailand, where increased economic growth had not had a significant impact on the poor. A call was made for social redistribution mechanisms.

7. Unfair trade policies jeopardized the potential benefits that could be associated with increased trade in terms of reducing poverty levels. Agricultural subsidies provided by rich countries were cited as an example of such policies. The unjust trade policies of the most developed countries did not provide trade opportunities for sub-Saharan African countries, which as a group represented the lowest share of world trade. In discussing trade and poverty linkages, it was suggested that solutions might include cutting red tape and eliminating corruption.

8. In addressing gender and trade issues, many participants expressed concern about the gender imbalances that still hampered the development prospects of many developing countries and LDCs, despite the significant contribution made by women in economic activities in many other countries. Concerns were also raised about the lack of recognition for the activities of women, and about the fact that they were not empowered. Participants called for a holistic approach to addressing issues of particular concern to women and for gender to be mainstreamed into economic development strategies. Recent initiatives taken by UNCTAD in this area were welcomed.

9. The comment was made that women needed to be included and involved in macro-economic policy analysis. Asia was as an example where “women's trade” was the most dynamic trade sector. It was further stated that certain policies were gender-biased, as women often engaged in different activities from men, and those activities were not recognized. Within this context, countries should have gender budgeting, gender-disaggregated data, and a coherent and holistic approach in dealing with issues of gender. The ability of trade policy alone to address gender issues was questioned, though the Doha round negotiations were examining areas of social development and economic growth, which included the issue of gender.

10. On the topic of official development assistance (ODA), the EU initiative to step up ODA was welcomed. However, concern was expressed as to how these higher levels of ODA would be financed. ODA financing should come from Governments' general budgets rather than through additional taxes, as additional taxes for such purposes could have detrimental effects. There was some disagreement concerning the lead discussant's opposition to conditions on debt forgiveness. Such conditionality was designed to ensure that additional resources would be used to benefit the poorest.

11. Growth was fundamental to solving the problems of the poor. To bring about this growth, trade had enormous potential. For example, it was noted that if African countries increased their share of world trade by 1 per cent, that could generate a level of income four times greater than current levels of aid. Also in relation to trade and aid, a solution was needed to address the matter of subsidies provided by the most developed countries. Such subsidies needed to be decreased or totally lifted, and the volume of imports from developing countries needed to be increased remarkably. Otherwise aid granted to these countries was useless.

**Interdependence and global economic issues from a trade and development perspective:
New features of global interdependence**

12. The lead discussant stated that there was a need to look at different ideas and alternatives to the development model of world financial capitalism. Regarding international trade, there was asymmetry between countries; rich countries tabled their own proposals but were not open to the possibility of developing fair policies that would also benefit poorer countries. Openness in developing countries had been preventing them from developing domestic policies designed to tackle poverty and inequality.

13. UNCTAD had been a source of critical and alternative thinking. However, countries did not use the results of that thinking in the WTO or in regional debates. In this sense, there was not coherence, there was mostly hypocrisy. There was coherence between the multilateral financial institutions and the WTO but not with the longstanding debates taking place at the United Nations. The question was how to make the outcomes elaborated by the United Nations more coherent with those of other institutional frameworks.

14. Another important issue was how to protect the informal economy, which had become very significant as a result of exclusive development. It was necessary to establish co-responsibility and to face the problems of inequality and poverty in a context of equilibrium between the different sectors. Regarding remittances, there was no legal support for illegal immigrants, but the latter, by sending money to their countries of origin, had become key players for their economies. This was a reality for all regions in the South. These non-skilled workers were also fundamental for the economies of developed countries. Specific measures had to be developed to protect them and sustain remittances. There had been some debate on this in the context of the WTO, but poor countries tended to remain marginalized. All countries should be part of the debate and have their singularity respected.

15. The informal sector was also growing as a result of bad business environments. In some cases, the formal sector was being strangled, and for some companies the informal sector was the only way out. In that connection, there was a need to fight corruption in both the public and the private sector, and to reduce the bureaucratic burden. Public policy making should include the private sector, civil society and government, and it was important that companies engage in developmental issues. The issue of corporate responsibility was fundamental. However, even if the business sector was regarded as necessary and was seen to be making progress in respect of social responsibility, for example in the context of the Global Compact, the social role of government in providing public services should not be forgotten. In

addition, the major objective of business was to make profits, and in many countries companies paid no attention to reinvestment, upgrading of human resources, etc. Low wages and low taxes were among the requirements to attract foreign direct investment. In this context, there was a need to leave space for Governments, but not of the kind imposed by the international financial institutions.

16. Trade liberalization was not bad per se. It played a role, because trade was useful for growth, and although growth might not be sufficient for reducing poverty and inequality, it was necessary in order to have something to distribute. However, liberalization had to be handled with care. Countries could cope better with liberalization if development strategies and assistance were in place. Liberalization could be seen as a success story when looking at China and India, which had shown that opening markets could serve poverty alleviation. However, forced liberalization and subsidies were major obstacles for poverty alleviation in many developing countries.

17. The problem was unfair trade between the rich and the poor countries, as underlined in the UNDP *Human Development Report*, because liberalization jeopardized the development of countries and impeded access to trade opportunities. In addition, the poorest of the poor did not get anything out of liberalization because they did not contribute to increasing demand and were of no interest to markets. There was therefore a need to achieve a balance between the market and the interests of people living in poverty, and between capital and labour, through pro-poor policies. Examples of participatory budgeting or economies of solidarity, as in some communities in Brazil and China, were a good step in the direction of reducing poverty. However, in general the economy was more concerned with the coherence of the international financial system than with fighting poverty.

18. Privatization, liberalization and globalization offered two facets because, depending on countries, they might produce positive or negative results. Some countries were better placed to cope with these processes, but in many countries economic liberalization did not deliver the promised benefits. African countries remained the weakest economies of the world system, without much progress in poverty reduction. One of the major problems in this region was dependence on commodity production, but commodity prices were not remunerative. What was needed for growth was better market access, as well as a multi-modelling approach to policy in each country that covered social aspects, because there was no universal model for poverty reduction. However, there was no real alternative to a world-based development strategy, and liberalization was part of that.

19. The role of foreign direct investment and transnational corporations (TNCs) in the development process was discussed. There was a general feeling among civil society organizations (CSOs) that investment often did not benefit the poorest in society. Mining and other extractive industries were cited as examples of a sector that attracted large flows of foreign investment but whose activities did little to alleviate poverty.

20. A representative of a member State asked civil society representatives what expectations they had for the participation of TNCs in the development process. Specifically, he asked

whether TNCs' apparent "right" to an increased voice in international policymaking should be accompanied by a "responsibility" to make a more positive contribution to development. He suggested that perhaps there should be a checklist of measures that were expected of TNCs to complement the development efforts of Governments.

21. While some CSOs agreed that TNCs' contributions in this context were inadequate, business representatives argued that they were making increasingly strident efforts to contribute to development and to become better corporate citizens. The Kimberley process to regulate the diamond trade, the World Commission on Dams and the Global Compact were all cited as examples in this context. In response, some CSOs argued that while these were positive developments, there was still cause for concern. It was suggested that often TNCs signed up to corporate responsibility charters and other similar agreements simply to improve their image. In fact, such charters and codes of conduct were rarely enforced and had little impact on corporate behaviour. CSOs were therefore worried that essential services were increasingly being run on a for-profit basis by TNCs. Furthermore, domestic restrictions and regulations that were supposed to govern the behaviour of the private sector were often seen as mere "red tape" and were under threat in the WTO negotiations.

22. A non-governmental representative expressed regret at UNCTAD's failure to provide support outside the accepted neo-liberal economic framework. A recent UNCTAD workshop in Thailand was cited as an example in this context. This workshop had focused on building the capacity of participants to settle investor disputes through the International Centre for Settlement of Investor Disputes (ICSID). It was suggested that such a process existed mainly for the benefit of foreign investors and that this workshop therefore did little to help Thailand develop policies for its own benefit.

23. Participants pointed to the important role that small and medium-sized enterprises (SMEs) could play as an interface between development policy, foreign investment and poverty alleviation. SMEs were often the most dynamic sector of developing countries' economies, and a key driver of economic growth. At the same time, their activities often had a more direct impact on the lives and incomes of the populations in those countries. CSOs noted with regret that the needs and potential of SMEs were rarely incorporated into international development policies, and they urged UNCTAD to take a leading role in highlighting the importance of SMEs. They also emphasized the importance of building the capacity of SMEs so that they could be effective channels for foreign investment.

24. Furthermore, many of the most dynamic SMEs in developing countries were run and owned by women. However, this was rarely acknowledged, and there were few specific policies in place to support women and bridge the gender divide through SME development.

Review of developments and issues in the post-Doha work programme of particular concern to developing countries

25. The launch of the Doha Development Agenda (DDA) had drawn attention to the developmental aspects of trade negotiations in favour of developing countries. However, in the run-up to the WTO's 5th Ministerial Conference in Cancún, all attempts at addressing the imbalances in the negotiations had failed, culminating in the collapse of the Ministerial Conference. In the context of the preparations for the WTO's 6th Ministerial conference in Hong Kong, issues of particular importance to developing countries needed to be highlighted.

26. The Doha Work Programme (DWP) had been adopted as an agenda for development to address the concerns raised by developing countries. The issue of development should be at the heart of the commitment to help integrate developing countries into the multilateral trading system, as there was no alternative to a broad-based development strategy.

27. The debate on agriculture, tariffs, subsidies and special and differential treatment was important to the socio-economic development of developing countries. Agriculture, for instance, was the mainstay of most developing countries. It was not only the major foreign exchange earner, but also critical for food security, for the livelihood of most people and for rural development. There was a need to redress the imbalance in international trade in agricultural products, and developed countries should reduce their high levels of export and domestic subsidies. The issue of developing countries having to make further reductions in tariffs and bind their tariffs at current levels should also be resolved, and developing countries should not be made to make drastic cuts in their tariffs. What was needed was that developing countries should be given room for more flexible approaches to reductions in tariffs and to undertake the necessary measures with respect to special safeguard measures and for special products. Special and differential treatment (S&D) was considered an integral part of the WTO agreement, but no agreement had been reached on the many proposals submitted by developing countries. Even for LDC-specific proposals, members had yet to agree on the proposals.

28. Negotiations on non-agricultural market access at the forthcoming WTO ministerial conference were an important issue for developing countries, not only in terms of tariff peaks and tariff escalation but also for preference erosion and non-tariff barriers that negatively affected their export potential. The focus of the negotiations was now on the so-called Swiss formula, which in the view of developing countries posed problems for development. The formula called for cuts in industrial tariffs of developing countries. Even countries that in the light of the current negotiations should not undertake any tariff reductions were to bind almost all their tariff lines at imposed levels far below what might be appropriate for their needs. The concern of developing countries was the loss of their current S&D provisions and flexibilities. This would be contrary to their developmental interest, as they would have to make drastic reductions in their tariff rates, with two likely consequences. First, when tariffs were significantly lowered, some industries could be negatively affected, leading to job losses and even closures of firms and factories in those sectors. Second, developing countries would lose their policy space in terms of using tariffs as a policy tool to promote their economic

development. UNCTAD was specifically called upon to assist developing countries in securing policy space and flexibility.

29. The current GATS negotiations were significant in respect of the development of the economies of developing countries. Paragraph 15 of the Doha Ministerial Declaration reaffirmed the decision made by members in the WTO “Guidelines and Procedures for the Negotiations on Trade in Services”. The GATS agreement benefited countries that had the capacity to supply services to other countries, and since developing countries were faced with supply-side constraints in the provision of services, their prospect of benefiting was minimal. The recent proposals by a number of developed countries for developing countries to make further commitments would create immense problems for the further development of their services capacity. This would impact on other sectors of their economies and undermine their economic development. It was in this respect that developing countries argued that the structure of the GATS agreement was such that it sought to redress the asymmetric nature of the services industry by allowing developing country members room to choose the sectors they wished to liberalize and the time frame for doing so, in accordance with their national needs.

30. The issue of intellectual property rights was important in terms of access of developing countries to medicines, education and other essential goods. Rules governing intellectual property had a direct bearing on sustainable development. For example, they impacted on the level of control that communities had over their traditional knowledge and on other issues fundamental to the realization and sustainability of their development objectives. The role of UNCTAD as the coordinating agency on science, technology and innovation issues within the United Nations gave it a broad mandate to help ensure that the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) was implemented in a manner supportive of public health and the protection of traditional knowledge and folklore. Given current attempts to strengthen the protection of intellectual property in the WTO's TRIPS negotiations, participants suggested that UNCTAD's work was increasingly vital. UNCTAD could assist in the protection of intellectual property rights in three areas: (a) strengthening and mainstreaming a balanced holistic approach towards intellectual property and development into all of its work and activities; (b) drawing attention to particular issues of fundamental importance to developing countries; (c) promoting coherence between UNCTAD's work on intellectual property and development and that of other UN organizations.

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