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**REPORT OF THE TRADE AND DEVELOPMENT BOARD ON THE  
THIRD PART OF ITS TWENTY-THIRD SPECIAL SESSION  
(MID-TERM REVIEW)**

Held at the Palais des Nations, Geneva,  
from 3 to 10 October 2006

**Volume II**

**Summary of proceedings**

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## PREFACE

This volume (volume II) of the report of the Trade and Development Board on its twenty-third special session (Mid-term Review) contains the summaries of statements made during the session. All other matters relating to the twenty-third special session of the Board are to be found in volume I of the report, entitled Report to the United Nations General Assembly.<sup>1</sup> These include action taken by the Board, as well as procedural and institutional matters.

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<sup>1</sup> TD/B(S-XXIII)/7 (Vol. I).

## Chapter I

### HIGH-LEVEL POLICY DIALOGUE – UNCTAD, DEVELOPMENT AND THE WAY FORWARD

(Agenda item 4)

#### Opening statements

1. **The Chairperson** opened the High-level Policy Dialogue by noting that all subthemes of the dialogue were critical for ensuring a meaningful and equitable integration of developing countries into the world economy, so as to achieve sustainable development and poverty reduction. UNCTAD's independence and integrated treatment of trade, development and related issues defined its unique role as a think-tank on development issues. In the context of globalization, it was as important as ever to have appropriate development strategies at the national level, accompanied by an enabling and supportive environment at the international level.

2. **The Secretary-General of UNCTAD** noted that the aim of the High-level Policy Dialogue was to examine (i) the role of globalization in development, (ii) the relationship between national and international development strategies, and (iii) what the UN system, UNCTAD in particular, should do in those processes. While globalization indisputably offered huge opportunities for growth and development, there was a dramatic disparity in the distribution of gains from globalization among developing countries. Certain developing countries, largely LDCs, were increasingly marginalized from the process of global economic integration. UNCTAD's Trade and Development Index showed that even if a country opened its markets and received developed-country market access, this might not be enough to make a positive impact on development. What mattered most was the capacity to make the best use of opportunities arising from globalization, namely the ability to produce goods and services, the knowledge needed to create a broad industrial base, and the infrastructure that enabled countries to trade and communicate, as well as capacity in terms of having the financial means to sustain a population's health and education and implementing good macroeconomic policies that fostered employment, entrepreneurship and competition.

3. Good domestic policies needed to be complemented by coherent and coordinated efforts by the international community. In that context, Aid for Trade should play a critical role in capacity building, in terms of building infrastructure, creating supply capacity and covering the cost of adjustment to trade reform. Capacity building called for a large increase in productive investment, including ODA, in the following three areas: improving the basic resources for production, including natural, human and financial resources; strengthening entrepreneurial and technological capabilities; and establishing strong production linkages.

4. UNCTAD would continue working towards enhancing developing countries' productive capacity through cross-fertilization of its three pillars — research and analysis, technical cooperation and intergovernmental consensus-building. It would also make the best use of its expertise in areas such as trade policies and strategies, trade facilitation, debt management, entrepreneurship, investment promotion and diversification from commodity dependence. In the process of rethinking the role of the UN system in development, UNCTAD's indisputable *raison d'être* remained addressing current issues in trade and development and assisting developing countries in their integration into the world economy. In the period leading up to UNCTAD XII and beyond, UNCTAD's most pressing goal was to help developing countries acquire the capacity to gain from trade, such that it would promote

development and reduce poverty. UNCTAD would progress towards this goal through, inter alia, implementing the recommendations made by the Panel of Eminent Persons, in close consultation with member States.

### **Keynote speakers**

5. **H.E. Mr. Bernard Makuza, Prime Minister of Rwanda**, remarked that the delivery of UNCTAD's Investment Policy Review and Investment Guide for Rwanda had been like an accelerated training course on UNCTAD. In the age of globalization, UNCTAD had an even greater role to play than when it was created, in order to support those countries still without a solid footing in the global economy. Among so-called third world countries, there were those that had enjoyed sustained and steady socio-economic improvement and had essentially caught up with the developed world. But there were also countries that were still developing, and others that were still searching for the way forward to development.

6. In considering UNCTAD's "way forward", one must start by looking at the organization's past. UNCTAD had been established to help developing countries integrate into the world economy and achieve progress. Its research and analysis had highlighted developing country issues, and its technical assistance was in great demand among developing countries. Moreover, developing countries actively sought its technical assistance. Rwanda was an example of a country that had just recently enjoyed the concrete results of UNCTAD's technical assistance in the form of an Investment Policy Review.

7. UNCTAD had been a forum for the exchange of ideas among multiple partners in development: Governments, international organizations, UN organizations, NGOs, the private sector and academia. UNCTAD faced the pressing challenge of harmonizing the views of the different stakeholders in order to reach a common understanding of how to boost countries' socio-economic development.

8. When the situation of countries marginalized in global development was considered, the continued need for UNCTAD was clear. The Prime Minister acknowledged UNCTAD's special focus on Africa and its various forms of assistance on that continent, including in international trade negotiations, support for national and regional strategies, research and analysis on essential problems, technical assistance, training and advice on investment strategies.

9. Although UNCTAD was as relevant today as it had been 40 years ago, it should constantly seek to reinvent itself in order to become ever more effective in a changing world. The poorest countries should benefit the most from UNCTAD's activities. Furthermore, the link between UNCTAD's research and technical assistance should be strengthened for greater effectiveness.

10. **H.E. Mr. Kamal Nath, Minister of Commerce and Industry of India**, drew attention to the remarkable economic performance of developing countries in recent times, in particular the historically outstanding current economic performance in Africa. He stressed the importance of UNCTAD's role in addressing the development dimension in the international trading system and affirmed his support for UNCTAD's independent research on trade and development issues. UNCTAD should continuously monitor the evolution of world trade, for example the shifting focus towards innovation-driven products and services, and South-South trade liberalization and economic integration, in order to ensure that all participants would share in the benefits.

11. With regard to the institutional architecture involved in international economic governance, a focus on development was lacking. To resolve the political inequity between developed and developing countries, the current power asymmetries within the WTO and at the institutional level should be eliminated through capacity building and technical assistance. This would allow the meaningful participation of small developing countries in trade negotiations. The creation of trade exchanges among the developing countries was also a promising area of future trade growth; for example, India had played an active role in the establishment of recent regional free-trade and economic cooperation agreements.

12. UNCTAD's activities to improve development opportunities for developing countries were very important, including assistance in facing complex trade and development challenges, in policy analyses, in the examination of asymmetries in the international marketplace and in building trade capacity. Finally, the Minister noted that development was a collective endeavour requiring an effective partnership between developed and developing countries to confront current problems.

13. **H.E. Mrs. Paula Lehtomäki, Minister for Foreign Trade and Development of Finland**, speaking on behalf of the European Union's member States and acceding States, noted that in a changing world UNCTAD's main mission – to integrate the developing countries into the world economy – had remained crucial in the global strategy to alleviate the situation of those countries. Globalization raised complex challenges, but it also opened up opportunities for beneficial integration into the world economy. To that end, developing countries needed socially and environmentally sustainable policies to strengthen their regulatory framework, good governance, productive capacities and infrastructure. Trade could be a powerful catalyst for economic growth and poverty reduction, and should be integrated into the national development plans of developing countries.

14. The EU, for its part, would do its utmost to secure an early resumption of the Doha Development Agenda negotiations, the completion of which would substantially help developing countries better integrate into the world economy. The EU would also continue to provide trade-related assistance to support countries' efforts aimed at making use of the opportunities offered by market opening. It expressed its support for initiatives such as Aid for Trade, in which UNCTAD had an inherent role, and the Enhanced Integrated Framework, which should be implemented soon. It called upon UNCTAD to cooperate with other organizations in order to continue helping developing countries strengthen their trade-related institutions and policies, overcome their supply constraints, and improve product competitiveness and quality. The EU expressed its concern about the risk of marginalization of LDCs and other poor and vulnerable countries in the global economy, particularly those in Africa. The profound challenges that these countries faced, especially in the fields of exports, investments and institution building for competitiveness and innovation, should remain a major focus of UNCTAD's work.

15. The UNCTAD Mid-term Review was taking place in the broader context of UN reform, which sought to improve the functioning of the United Nations. The UNCTAD Secretary-General had been active in reviewing the internal work of the organization, and courageous in tackling challenges in a creative and open-minded way. The EU welcomed the work of the Panel of Eminent Persons and expressed its willingness to reflect together on the recommendations of its report.

16. The Minister noted that Finland had allocated a substantial part of its total trade-related development assistance to UNCTAD for its technical cooperation activities.

Nevertheless, a great deal of attention was being paid to the efficiency and effectiveness of all technical cooperation programmes and organizations, and their relevance was continuously being evaluated. UNCTAD could make better use of its comparative advantages within the UN system and in relation to other organizations. It could be “leaner, meaner and more profitable”.

17. Despite the strong commitment of all member States, there was a genuine concern about the future of UNCTAD. Consensus, dialogue and interaction were needed to face this challenge. UNCTAD had the knowledge and capacities to become stronger as a focal point of the UN system for the integrated management of trade and development. It needed to adapt to the present global environment and to the pace of change.

18. Finally, the Minister stressed on behalf of the EU that the ongoing reform efforts should in no way diminish the status of UNCTAD; on the contrary, these efforts should ensure its continued efficiency, effectiveness and relevance.

### **Lead discussants**

19. **Mr. Gerald Andersen, Deputy Assistant Secretary of State of the United States**, said that UNCTAD's greatest contribution was its work to address supply-side constraints, such as weak institutions, burdensome administrative and legal processes, poor trade-related physical infrastructure, high costs of inputs to production and trade, and low productivity. UNCTAD could contribute with its expertise in Aid for Trade. However, he pointed out that donors would provide aid where there was the best value for money and where political will was already evident. UNCTAD should suggest ways to secure greater development benefits from workers' remittances and FDI. States had a vital role in creating conditions to attract investment, including private flows, and in fostering an environment conducive to entrepreneurship. UNCTAD was neglecting domestic savings and untitled real estate capital, which could be very high in developing countries, as sources of financing for development.

20. On the issue of coherence between national development strategies and international processes, the speaker addressed the concerns regarding a possible proactive trade and industrial policy. He suggested that the role of Governments be restricted to identifying areas in which the private sector was lacking in competitiveness or where markets had shifted. As regards developing countries lacking sufficient policy space, in particular regarding the restriction of subsidies and the imposition of performance requirements for foreign investors, the participation of developing countries in multilateral negotiations would open up opportunities for influencing negotiated outcomes. The United States had contributed significant funds to capacity building on trade in order to ensure that negotiation partners could adequately assess the trade-off between the benefits of accepting international rules and commitments and the constraints posed by loss of policy space.

21. In the context of UN reform, he did not agree that the reform had placed undue emphasis on what should be done at the national level. National development plans were the best way to ensure development outcomes, through the coordinated work of national Governments with field offices of multilateral and bilateral agencies. UNCTAD should enhance its relationship with UNDP, UNOPS and country teams, so that they could make greater use of its expertise.

22. In conclusion, UNCTAD was crossing the boundary of UN mandates when it attempted to address the international structures for finance. There were international

financial institutions that had a mandate for that activity, and they were undergoing their own reforms, including giving more voice to developing countries.

23. **Mr. Henrik Harboe, Director of the Ministry of Foreign Affairs of Norway**, affirmed UNCTAD's relevance to the treatment of development issues within the UN family, but was not convinced that the organization was playing its role optimally. The UNCTAD and UN reforms did not aim merely at streamlining structures or saving financial resources, but also at making the UN system deliver more for development and poverty reduction. The Norwegian Government supported the UN system as a main foreign policy objective, since the multilateral system was crucial for small countries and for achieving the MDGs. UNCTAD faced a trade-off between a broad mandate in trade and development and related issues, and calls for increased focus in its activities. The speaker said that UNCTAD lacked clear focus and priorities, and policy coherence. It had increasingly lost its role and relevance as the focal point for trade and development in the global arena, and the debates at UNCTAD meetings had lost their edge. The organization risked failure if it did not make the necessary changes. UNCTAD must find its place in the changing global economic architecture, and the intergovernmental dialogue should lead to more operational results. Moreover, he felt that the UNCTAD secretariat was too dominant as compared with the active role of government representatives, which was very important for the debate because it was based on reality.

24. The Norwegian Government endorsed the recommendations of the report of the Panel of Eminent Persons, and welcomed the secretariat's initiative and the involvement of all stakeholders. UNCTAD reform should lead to the organization strengthening its role as a think-tank, providing relevant, authoritative and forward-looking analyses on globalization and on the participation of developing countries in the multilateral system. UNCTAD's technical assistance and capacity building should complement the technical assistance and capacity building provided by other organizations such as ITC and WTO. The recommendations of the Panel of Eminent Persons were a good starting point for the reform process, to which the Norwegian Government was committed.

25. **H.E. Mr. Toufiq Ali, Ambassador of Bangladesh**, noted that all international organizations had needed to adapt to changing circumstances, but he was concerned about the philosophical aspects of those changes. To enable all countries to benefit from globalization, one must ask why there were asymmetries between countries. In the "development paradigm", trade had become more important than aid, as developing countries depended on developed partners for market access and technologies. The financial architecture of globalization, which was market-driven, emphasized private capital flows. However, those flows could not be profitable for development if there were not adequate structures and conditions in developing countries.

26. The three pillars of UNCTAD reinforced each other. UNCTAD flagship publications informed the thought process of developing countries, and the organization's technical assistance continued to help those countries. Developing countries were more aware of globalization, and they could participate more in global trade, thanks to UNCTAD's work. UNCTAD should be a think-tank, providing ideas that were not bound by ideology. In the context of UNCTAD reform, the speaker asked for the secretariat's views on the report of the Panel of Eminent Persons and on the implementation of its recommendations.

27. Not all countries had met expectations of higher growth linked to trade. While trade was vital for development, there were other development components such as environment, biodiversity and good governance. Since global economic policies were currently discussed



in institutions where developing countries did not have an effective say, UNCTAD's very important role was to raise the voice of those countries to address the two asymmetries in global economic governance. First, current monetary and financial arrangements were not organized on a multilateral rules basis, whereby core principles applied to all participants. Second, multilateral trade rules were equally legally binding for all, but economically they were biased towards developed countries, and this resulted in reduced policy space for developing countries.

### **President's summary of the interactive debate**

28. During the interactive debate, several delegates said that the Mid-term Review should serve to strengthen UNCTAD and make it more dynamic. They appreciated the Secretary-General's attempt to do so through the Panel of Eminent Persons and looked forward to participating in the discussion of the Panel's recommendations. The secretariat announced that a forthcoming Board session would be devoted to discussing the recommendations of the Panel of Eminent Persons, and member States were urged to contribute comments on how to implement them. The secretariat said that a working group would be set up to enhance internal coordination and make better use of UNCTAD's limited resources and allow it to better honour its core mandates. In order to deliver results, UNCTAD needed further support from member States on resources, although not necessarily only financial. Most importantly, it needed clear guidance through agreed outcomes through the intergovernmental machinery.

29. Any effort to strengthen UNCTAD should take into account the organization's core competencies and comparative advantage, as well as its history and place within the UN system. UNCTAD's mission on trade and development remained the same, but its mission should be distinguished from its tasks, which adapted to changes in the international economic agenda. UNCTAD had to be a results-based organization, and needed to be more efficient and effective. In the broader context of UN reform, a delegate noted that it was important that UNCTAD reform be driven by the Geneva intergovernmental machinery. UNCTAD should continue to respond to the changing economic reality and to globalization, so that it could better address contemporary issues and stay ahead of the curve. A delegate noted that even a perfect reform would require political will in order to be implemented effectively. Another delegate argued that UNCTAD reform should aim to revitalize the organization rather than reinvent it.

30. Delegates recalled that UNCTAD was the only organization that had dealt with trade from a development perspective since its inception, so there should be no duplication with work in other parts of the UN system. It must rather be asked whether other organizations had not recently been encroaching on UNCTAD's mandate. Recalling a panellist's call for increased focus in UNCTAD work, one delegate enquired whether this meant reducing the volume of UNCTAD's activities or its areas of action, and whether it was possible to treat multi-faceted development in a narrow or streamlined manner. Another delegate thought it worrisome that UNCTAD should be asked not to reflect on the work coming out of international financial institutions; even when dealing with the same issues, UNCTAD brought a different voice. UNCTAD should not be restrained from conducting the policy analysis that many LDCs could not do for themselves.

31. UNCTAD's mandate was discussed in the context of its contribution to internationally agreed development goals and of the equal importance and interconnection of its three pillars. Despite a long history of intellectual integrity and innovation, the quality and

coherence of UNCTAD's current research and analysis should improve, as well as its connection with the other two pillars. UNCTAD could work more closely with other institutions, including UN regional commissions. UNCTAD's research and analysis should be independent and foster political dialogue and help shape consensus. Its technical assistance should be fed by research and analysis, be demand-driven and translate into real action at the field level. It should also serve as the basis of its capacity building programme, which was part of UNCTAD's comparative advantage. It should be more effective and planned strategically over the long term. Such planning should ensure fair geographical distribution and identify more and sustainable sources of funding. One delegate commented that there should be more and better feedback between UNCTAD's secretariat and participants at meetings, while another said that the dissemination of UNCTAD's work should be improved.

32. Although some delegates said that UNCTAD needed focus, others held that since development was a multifaceted phenomenon, UNCTAD should remain flexible in order to stay relevant. It had to be able to broach new and even controversial subjects and deal with them in depth. UNCTAD should respond to the needs of developing countries and special groups of countries, such as LDCs, transition economies, highly indebted countries and landlocked countries. UNCTAD's mandate on issues related to trade and development should include economic governance, since international monetary, financial and trading systems affected development. Governance also encompassed macroeconomic policy to, *inter alia*, control inflation, manage debt, attract investment and facilitate trade, which were all part of UNCTAD's current work. At the national level, good governance could not be separated from the issue of ownership, which could be fostered through long-term commitments and coordinated projects. Ownership was the key for sustainable development.

33. On the issue of economic governance, there were several reminders that globalization should benefit all parties. UNCTAD could contribute to managing globalization by, for example, helping developing countries to overcome trade barriers and LDCs to become involved in multilateral trade negotiations. A delegate also said that UNCTAD should participate in the follow-up to the Conference on Financing for Development, and it had a role to play in assessing the development impact of the policies and binding norms of the Bretton Woods institutions. Efforts by developing countries in the area of national economic governance had to be matched by the delivery of commitments from developed countries to create an enabling international environment. UNCTAD could assist developing countries to achieve a balance between national and international strategies. It could identify areas in the current international trade rules and regulations where developing countries had "policy space" available to them but lacked the capacity to exploit and preserve it, and it could even help countries create such space. A civil society representative said that the Mid-term Review should decide whether UNCTAD's work on policy space would continue and expand, and that the issue should be the subject of a true debate in the intergovernmental machinery. There was also a need for significant support to promote South-South cooperation to complement North-South cooperation.

34. It was suggested that UNCTAD address the issue of remittances, including by helping developing countries create the conditions to encourage the development-oriented investment of remittances rather than using them for consumption. The Secretary-General of UNCTAD noted that he was currently active in the Global Migration Group, which put the issue of the short-term movement of workers and remittances on the international agenda. He explained that for progress to be made in this area, enhanced statistical information must first be available.

35. Several delegates suggested that the Doha round of negotiations should be resumed at the earliest possible date and that the negotiations on the GSTP should be intensified. UNCTAD also had a potentially very important role to play in Aid for Trade.

### General statements

36. The representative of **Pakistan**, speaking on behalf of the **Group of 77 and China**, said that the main theme and the three subthemes of the third part of the Mid-term Review were most relevant at a time when great challenges and opportunities faced the entire UN system, including UNCTAD. A key challenge in UN reform was to develop norms and strategies that could meaningfully respond to the growing complexities of the global economy. As regards the impact of globalization on development, while the fruits of globalization continued to be elusive, the risks were real for many developing countries. Over the past decade, only a few developing countries had made significant development gains, while poverty continued to affect millions of lives in others. The interconnectivity in today's world enhanced the awareness of global disparities and imbalances. Globalization should thus be managed effectively with a view to leveraging its opportunities and surmounting the challenges posed to broad-based development.

37. General Assembly resolution 60/265 – which recognized, *inter alia*, the UN's fundamental role in the promotion of international cooperation for development and the coherence, coordination and implementation of the internationally agreed development goals – confirmed that UNCTAD had a key role to play. UNCTAD had earned the trust and confidence of developing countries as the focal point in the UN system for the integrated treatment of trade and development and other related areas such as investment, finance and technology. UNCTAD must continue to retain its relevance by furnishing the development perspective on the current trends in the global economy. It should be utilized optimally with a view to evolving a sustainable system of global economic governance that could best address the development challenges of globalization. With its unique development perspective, the three pillars of UNCTAD's work must be preserved and strengthened through a sequential approach. Research and analysis should feed into the consensus building pillar, which in turn should guide technical assistance in a demand-driven fashion. The high-level policy dialogue should focus on defining an exercise that would enhance the visibility, effectiveness and outreach of UNCTAD as it implemented the São Paulo Consensus.

38. The representative of **Belarus**, speaking on behalf of **Group D**, reaffirmed his Group's support for the full and effective implementation of the UNCTAD XI mandate. In line with paragraph 26 of the São Paulo Consensus, UNCTAD should continue to publish impartial and independent research on macroeconomic policies, finance, debt and poverty, as well as assisting transition and developing economies in overcoming the challenges posed by globalization. UNCTAD was encouraged to improve the dissemination of its research through its flagship and other publications. Group D attached particular importance to investment promotion, where UNCTAD had a solid comparative advantage, and it valued UNCTAD's Investment Policy Reviews. In accordance with paragraph 53 of the São Paulo Consensus, UNCTAD should help attract FDI to developing and transition economies by assisting the formulation and implementation of investment policies and relevant regulatory environments, in line with countries' development strategies. In addition, further to paragraph 95 of the São Paulo Consensus, UNCTAD should support developing and transition economies in the design of their trade-related and national trade policies in order to maximize their share of world trade. As mandated by paragraph 98 of the São Paulo Consensus,

enhanced technical assistance should be provided to developing and transition economies prior to, during and in the follow-up to WTO accession.

39. In conclusion, he said that the agreed outcomes of the Mid-term Review should reinforce UNCTAD as an organization and provide the UNCTAD secretariat with clear guidance for its work for the remainder of the inter-conference period.

40. The representative of **Finland**, speaking on behalf of the **European Union and the acceding countries of Bulgaria and Romania**, stressed the importance of UNCTAD's mission to integrate developing countries into the world economy. Trade flows were very important to help countries escape the poverty trap. However, despite economic growth, poverty remained high in most countries. This underlined the need to support improved overall governance, the fight against corruption, the rule of law and more equal social development in those countries. The failure of the Doha Development Agenda negotiations had stalled the integration of developing countries into the world economy, and was especially costly for the LDCs. The European Union supported the resumption of negotiations and was strongly committed to Aid for Trade; in fact, it provided more than half of global trade-related assistance.

41. The European Union concurred with UNCTAD on the importance of domestic financing of investment to create economic growth and of proactive industrial policy in development. National development strategies should include support to create productive capacities and international competitiveness in developing countries. The European Union attached particular importance to the EU-Africa strategy, which included investments in transboundary and regional infrastructure. The EU was concerned about the risk of marginalization of LDCs and poor countries. UNCTAD had a role to play in assisting developing countries to increase their exports and attract foreign direct investment. The EU reiterated the importance for economic growth of sound democratic institutions, as recognized in the Monterrey Consensus.

42. Finally, the EU noted that, in today's changing world, the capacity to change continuously was a necessity and a sign of vitality. UNCTAD could review its mandate every four years. However, the intergovernmental process of implementing and evaluating the mandate could be more efficient.

43. The representative of **Benin**, speaking on behalf of the **LDCs**, recognized the remarkable work done by UNCTAD since its inception on all trade and development issues. Development and important economic issues had always been at the heart of UNCTAD debates. UNCTAD XI had brought a fresh vision and a new emphasis in favour of LDCs. Considerable work had been done to implement the UNCTAD XI mandate, and the important contribution of UNCTAD to the Mid-Term Review of the Brussels Plan of Action for LDCs should be mentioned in that context.

44. UNCTAD technical assistance related not only to development and poverty reduction at the macroeconomic level, but also to specific sectors covered by UNCTAD's mandate such as transport, ICTs and investment. UNCTAD should be encouraged to pursue the assistance programmes it had already started to implement in favour of LDCs.

45. In the future, UNCTAD should give priority to matters of real interest for development. In order to do this, research and analysis activities should better be integrated and backstop the implementation of technical cooperation activities. LDCs should be assisted

primarily in improving their infrastructure and in building up competitive export capacities where they had a clear comparative advantage. Other priorities should be South-South trade, the Aid for Trade initiative, sustainable job creation, the reinforcement of capacities, and sustainable industrialization.

46. The political dialogue within UNCTAD should be revitalized in the field of commodity trade, as a sector of vital importance for economic growth, poverty reduction and development in LDCs. The greatest challenge for UNCTAD and for the international community was the translation of expressed intentions and agreed objectives into concrete measures. UNCTAD's visionary analyses and broad competencies could further contribute to that aim. In order to be able to accomplish its mandate, UNCTAD should be provided with sufficient and predictable resources. It also needed to adapt and modernize in order to be able to serve the interests of its member States.

47. The representative of **Indonesia** emphasized that the three pillars of UNCTAD should be implemented in a sequential and balanced manner. They provided a comprehensive framework for treating development issues. The discussions during the Mid-term Review were even more important in the context of the UN reform and the suspended Doha trade negotiations. He looked forward to considering the recommendations of the Panel of Eminent Persons and noted that UNCTAD's assessment of the report would be a valuable tool for the future discussions. The aim should be to increase the role of UNCTAD within the United Nations. The proposals by the secretariat on creating a working group and task force to implement UNCTAD reforms required more in-depth study to consider their relevance to the enhancement of UNCTAD work, as well as the involvement of Member States.

## Chapter II

### GLOBALIZATION FOR DEVELOPMENT

(Subtheme 1)

#### Lead discussants

48. **H.E. Mr. Mukhisha Kituyi, Minister of Trade of Kenya**, commented on a number of important issues, organizing his discussion under two broad topics: first, the asymmetry in benefits and costs of globalization; and second, multilateral versus bilateral trade agreements. He said that the challenges and benefits of globalization had been asymmetrically distributed among countries as well as among sectors: a distinction could be made between those developing countries that had managed to derive substantial benefits from globalization (especially China and East Asia) and those that had benefited less. Challenges also included the emigration of skilled and unskilled labour from developing to developed countries. The ability of international agreements to address domestic support and market access was important for the creation of an equitable trading system. He noted that the rules for securing trade relations were not analogous to the rules for promoting equitable trade. UNCTAD had a significant role in research and analysis on (a) coherence between national policies and international rule-making, (b) how to make international rules development-friendly, and (c) fairness in trade relations and economic liberalization processes. Regarding the relationship between multilateral and bilateral trade agreements, he raised a number of critical questions. To what extent could bilateral trade agreements replace multilateral agreements under the WTO regime? He made it clear that bilateral agreements could not deal with multilateral structural imbalances. How could the WTO increase its credibility? While the WTO had been successful in creating rules to facilitate trade, the question remained as to how well it had incorporated justice into the trade rules so as to make them sustainable. Other issues included how the international community should translate various initiatives (such as those of the Blair Commission) into a coherent global approach and how to address coherence challenges in policies among the Bretton Woods institutions as well as within Governments themselves.

49. **H.E. Julio Ortega Tousbegain, Minister, Chief Negotiator and Executive Secretary of the National Commission for Trade Negotiations, Dominican Republic**, said that in a world of inequality with so many obstacles to trade, developing countries had faced serious challenges in integrating themselves into the world economy. They had undertaken policy measures suggested by donor countries and institutions, and as a result, their economies had become more open, the majority of their national enterprises had been privatized, public expenditure had been drastically curtailed and the stability of their monetary system had been enhanced. Developing economies believed that they could participate in trade negotiations with developed countries on an equal footing. Those economies, in particular small and vulnerable ones, such as in Latin America and the Caribbean, had begun to realize that globalization had widened the development gap.

50. Recent projections had shown that the achievement of the Millennium Development Goal of poverty reduction would not be possible. Meanwhile, many developing economies had continued to face various risks associated with the instability of trade flows and the asymmetry of policy commitments resulting from the Uruguay Round. The Uruguay Round Agreements had complicated the situation of developing countries in the highly competitive world markets since modern production processes would not allow the development in those

countries of the necessary mechanisms that would enable them to enjoy the benefits of the new trade architecture. While trade could play a major role in economic development and poverty reduction, it would not always offer the best opportunity for developing countries. In view of the suspension of multilateral negotiations, developing countries should find common ground to reconcile globalization and development, by placing themes such as Aid for Trade, special and differential treatment, the elimination of agricultural subsidies, the recognition of asymmetries between countries and food sovereignty on the agenda of their demands. To build a link between the benefits of globalization and genuine development would be a real challenge. With its ultimate role of promoting the integration of developing countries into the world economy in a manner favourable to their development, UNCTAD should do its utmost to carry out its functions, which had been grouped into three pillars: consensus building, policy analysis and research, and technical assistance.

51. **H.E. Mr. Clodoaldo Huguency, Ambassador of Brazil to the United Nations Office at Geneva**, focused on four key issues. The first of these was the benefits and challenges of globalization: although globalization could contribute to development, higher growth rates and even poverty alleviation, results had been mixed. Referring to asymmetry in reaping the benefits of globalization, he said that the latter had benefited countries and sectors in varying degrees, as seen in the concentration of FDI flows and in diverging rates of growth. In the agricultural sector, the developed countries could insulate their internal agricultural sector from the effects of globalization, seeking to have a free ride on the waves of globalization and the opening up of the industrial and services sectors in developing countries. Thus benefits and challenges must be judged against the weight given to the opening up of the various sectors. Relevant questions included how to sustain the forces of globalization in a more symmetrical manner, how to optimize benefits and reduce costs, and how to avoid crises and solve imbalances in the global economy.

52. The second key issue was the new international economic geography of the world: the growth rates in the developing countries as a whole were, for the first time, higher than those in developed countries. If this trend persisted, it would result in a growing share in world trade and world GDP for the developing countries, and this would mean a major power shift from the developed to the developing countries. The developing countries would thus have a greater role to play. The challenges of globalization would be posed in terms of market openings, the absorption of newcomers, growing protectionism and the application of trade rules. Trade rules should therefore be applied in an equitable manner. The new international economic geography had also created major opportunities for South–South cooperation and investment, where the GSTP should be promoted for trade flows between developing countries.

53. The third key issue was the contribution of international trade negotiations to development. The speaker reiterated the need to resume the Doha negotiations, for a world of bilateral trade deals would be worse than one with a multilateral trade regime. This was because the latter could provide stability, while the former could not properly address domestic policies. Development must be the central concern of the international trading system and could no longer be seen as an exception in trade rules. The coordination of developing countries' groupings in the negotiating process, be they G-20 countries, LDCs or others, was important.

54. The fourth key issue was coherence and the role of UNCTAD in creating a better world order. The speaker shared the view of the other two panellists that the organization had

a major role to play in shaping a coherent system and global governance, because of developing countries' increasing economic power, and because of UNCTAD's broad view of economic issues and essential focus on development. All these were central to shaping coherence and structuring global governance. UNCTAD should work through its three pillars, namely research, consensus building and technical assistance. Debates should focus on policy space, with UNCTAD proposing policy options and new paradigms on, inter alia, trade-related aspects of investment and South–South trade, taking into account the divergent needs of countries; moreover, debates should present best practices. In conclusion, it should be recognized that development issues could not be solved by means of trade liberalization alone and that developing countries were of major importance in the world economy.

### **President's summary**

55. The most fundamental issue raised during the interactive debate was the assessment of globalization, particularly its effects on the world economy and national economies. It was commonly understood that globalization had been promoted by, besides other factors, technological advancements in the fields of international communications and transportation, which had promoted freer cross-boundary movement of goods, services and finance but to a lesser extent labour. However, globalization had not been an “inclusive” process, and many countries, particularly the least developed, had been excluded from the process. Since opportunities and challenges brought about by globalization had been unequally distributed among countries, resolving that inequality represented the core issue in managing the forces of globalization and stabilizing the world environment for sustained growth.

56. Some delegates underlined that globalization reflected neo-liberal policy measures of individual countries that had been promoted by donor countries and international institutions, such as the Bretton Woods institutions and the WTO. The fact that the Washington Consensus (one-size-fits-all) policy had often failed demonstrated the importance of Governments coming up with country-specific development strategies. Some delegates complained that despite the campaign for freer trade, developed countries still retained barriers to trade against exports from developing countries. Some delegates took the view that free trade and market liberalization alone would not make possible the successful achievement of the Millennium Development Goals (MDGs), particularly poverty reduction. A few delegates stated explicitly that the attainment of the MDGs would be unlikely for the majority of African countries.

57. Some delegates warned that there was a trend towards emphasizing negative aspects rather than positive aspects of globalization, and that the role of the private sector (including TNCs) as a partner to cope with the challenges and benefits of globalization should be discussed. The private sector had no ideology and was basically willing to go wherever profits could be made, which would provide equal opportunities for all. Thus Governments should take responsibility for creating the right conditions to attract FDI. On the other hand, one delegate stated that trade and FDI did not in themselves represent development – they were only tools for development.

58. For some delegates, the suspension of the Doha Round negotiations was reason for great concern, and they called for the early resumption of the negotiations, saying that bilateral or regional trade agreements could not replace multilateral agreements. However, improved market access alone would not be sufficient, as it would not automatically lead to increased exports by developing countries. Consideration should be given to enhancing the productive capacity of these countries. In this regard, many delegates were hopeful about the



contribution of the new multi-agency Aid for Trade initiative and UNCTAD's involvement in the implementation of the Aid for Trade programme.

59. While delegates underlined the importance of the three pillars of UNCTAD, namely research and policy analysis, consensus building, and technical cooperation, they placed different emphasis on different pillars. In the area of research and development, one delegate stated that UNCTAD should analysis various strands of globalization and their interlinkages. With regard to the important consensus-building role of UNCTAD, one delegate emphasized that consensus must be based on the presentation of arguments, data and evidence on the development of developing countries in the process of globalization. A few delegates also suggested the establishment of a new international committee on globalization and development, so that the debate on this theme would be encouraged further in the future.

### Chapter III

## COHERENCE FOR DEVELOPMENT BETWEEN NATIONAL DEVELOPMENT STRATEGIES AND INTERNATIONAL ECONOMIC PROCESSES

(Subtheme 2)

### Lead discussants

60. **H.E. Mr. Alan Kyerematen, Minister of Trade of Ghana**, highlighted several points that were fundamental for developing countries to be able to grow out of poverty and examined how these issues interfered with the concept of policy coherence between national development strategies and international economic processes. Firstly, lack of coherence set very serious limitations on the capacity of developing countries to initiate national policies that created growth. Two types of processes should be considered. There were rule-based processes, which were intrinsically limited and left little room for manoeuvre, but there were other economic processes that did not create limitations and allowed enough policy space for developing countries to fashion their own national development strategies. In this regard, it was the responsibility of developing countries to provide visionary leadership resulting in policy innovation. The issue of policy innovation was closely related to policy reform, which was essential in order for developing countries to take advantage of the dynamics in the international environment. Another critical factor was the role of foreign private capital. Investment was what induced growth, and Africa was still the poorest continent because of its inability to attract significant investment flows. The fact that Africa only attracted some two per cent of FDI flows constituted a challenge for UNCTAD, which had a critical role to play in helping developing countries resolve this issue.

61. Entrepreneurship and enterprise development were strongly linked to investment and growth. UNCTAD already had leadership in that area, especially through the EMPRETEC programme, and he called for a strengthening of relevant initiatives. Another critical factor of success was the development of exports. African markets were very limited, and this implied exploring opportunities in the global market. Regional integration and the development of exports were interrelated, and it was not certain that developing countries were limited when defining regional integration programmes and protocols. Finally, concerning the relationship between aid and development, the end objective of aid was to help countries to develop, but this required that developing countries get their development partners to target their programmes in such a way that they assisted developing countries in building their productive capacity to take advantage of global opportunities. The role of UNCTAD was to assist developing countries in policy formulation. The HIPC Initiative in Ghana had provided an example of how the right policy choices had led to transformation.

62. All the discussions taking place during the third part of the Mid-term Review would have an impact on UNCTAD XII, to take place in Ghana in 2008. The Minister informed the Board that extensive preparations had already begun in Ghana to ensure that the Conference would be a success, and in particular a number of task forces had been set up to work on critical and substantive issues. He called for the implication of all member States and of the secretariat in the preparations for the Conference. Recalling that Ghana had thrown its support behind UNCTAD XII because of the need to find a new paradigm to bring Africa out of underdevelopment, he stressed the need for certain structural transformations at UNCTAD

XII, and he hoped that discussions at future mid-term review processes would be more practical than conceptual.

63. **H.E. Mr. Oscar Tangelson, Secretary for Economic Policy of Argentina** took up the issue of the capacity of countries to adopt proactive policies and the interrelationship between those policies and the world at large. The case of Argentina and its recovery from the economic crisis in 2002 showed how the national and global dimensions needed to be intertwined in order to embark on a long-term path of sustainable growth while handling short-term needs. Short-term policies should be part of a long-term strategic vision. Current problems were the consequence of past decisions, and the future would depend on current decisions and actions. Debates like the UNCTAD Mid-term Review helped to configure the vision of the future for countries, the multilateral system and the world.

64. The experience of Argentina highlighted the importance that middle-income countries attached to analysing the coherence between the economic and social dimensions of the development process. In the last 25 years, the country had virtually stagnated, with average GDP and population growth rates of one per cent. At the same time, it had signed 19 agreements with the IMF. This opened up the question of the need to adopt appropriate policies that took into account the specific realities of each country. There had been the illusion that external resource inflows could make up for a lack of internal savings, but this policy had led to increasing debt, provoked exchange rate problems and discouraged domestic production. Argentina's crisis had been deeper than some other crises, but the solution had been found more quickly and had been more sustained. Economic policies had been adopted to reverse the fall in production, the increase in deficits, capital outflows, the reduction in foreign reserves and the increase in unemployment, the aim being to move from a deficit to a surplus situation, both in the national budget and in the balance of payments, in order to service debt without affecting economic growth. As a result, Argentina had been meeting its commitments, and its debt indicators had improved. Additionally, the budgetary surplus was being used both to correct inefficiencies in resource allocation and to promote social development so as to prevent the social deterioration and lack of equity that generated conflict. Argentina must compete not on the basis of low-cost labour but using the high skills of its people, with education playing a fundamental role. The country was also emphasizing the promotion of science and technology, regional division of labour and the development of infrastructure in communications, energy and transport to improve competitive capacity. In short, competitiveness was seen as being based on skills, exploitation of natural resource advantages, energy diversification, and intelligence and creativity as a product.

65. There had been a change in the productive paradigm in the world, from an industrial society to a knowledge-based society, and this changed relations among countries and posed challenges. The phenomenon of globalization seemed to concern predominantly the financial sphere, and agricultural subsidies had prevented economic globalization and the reduction of poverty. There was a need to tackle seriously the paradox of assisting countries to reduce poverty and at the same time providing agricultural subsidies. There was also an absence of social globalization, which was of course difficult to attain. In addition, regional integration was strongly modifying the world economy. Infrastructure had to be planned in the framework of the potential evolution of world trade in a world in transformation. At the same time, local factors must not be neglected, for example products involving cultural identity. It was in that context that Argentina had adopted specific policies focusing on economic growth with social development. Finally, UNCTAD had a major role to play, since its mandate

covered all dimensions of development, a fundamental aspect being the financial architecture required to enable sustainable development to happen.

66. The **Secretary-General of UNCTAD** shed light upon the comprehensive framework that UNCTAD used to address the issues and difficulties raised in the discussions throughout the Mid-Term Review, particularly in relation to the uneven effects of globalization and the key issues of coherence between national policy making and international commitments that had an impact on domestic policy making. Aside from the empirical evidence of the unequal benefits from globalization, UNCTAD had been concerned with potential threats that might not be so obvious. Concern should focus not only on the current trade imbalances but also on financial imbalances and on the consumption and savings side. The current state of global imbalances was not sustainable in the long term, and the risks associated with the adjustment process would negatively impact on all countries, particularly those that had very little room for manoeuvre, namely developing countries and the LDCs. How the adjustments took place would have an impact in terms of reaching the MDGs. Additionally, the deadlock in the Doha negotiations did not show any signs of being resolved. Ultimately, the discussion on globalization centred on the objective of creating productive employment. The issues of job creation, enterprise development, creative industries, creative productive investments, productive capacity and productive capital formation were all linked together. In that connection, all UNCTAD reports shared a common thread, with a singular emphasis on promoting productive capital formation. They also raised awareness of the issues surrounding FDI to complement domestic savings, financial questions and the new geography of international trade.

67. Whatever the topic in the globalization debate, there was adherence to belief in the strength of markets and the multilateral system. UNCTAD's recommendations with respect to public policies did not mean a move away from strengthening market rules and multilateral rules, nor did they mean advocating protectionism. The fundamental strength of the multilateral system was that it was rules-based, transparent and non-discriminatory, and those characteristics should be further enhanced. In discussions about coherence, improvements in the external environment were talked about, but it was necessary to examine the needs of developing countries to ensure that they were in command of their own policy making. This did not mean that participation in an international organization put an end to a country's independence in terms of determining its own national policy, but it did have some impact on it. The question was how could rules help developing countries to enhance their ability to design their own development strategies. Of course, there was some room for flexibility within rules, and there were instances where countries were not aware of the leeway available to them.

68. UNCTAD had also worked towards raising awareness about the asymmetries between financial and trade rules. On the trade side, the multilateral rules were hard, fast and legalistic and could be handled through the dispute settlement system, but that was not the case in the financial system. Developing countries had little leeway in financial arenas where financial policies and adjustment were carried out, even although these adjustments could have a strong impact on trade. UNCTAD's work had also drawn attention to the development impact of issues relating to capacity building, supply constraints, diversification, energy constraints, new and dynamic industries, non-tariff barriers, services trade, and international migration. Finally, with respect to Aid for Trade, while it was not hard to understand the content of the initiative, the important thing was its operationalization. In UNCTAD, capacity building was the mainstay of the organization, with trade regarded as an instrument for

enhancing a country's development strategies. It would be important for UNCTAD to play a central role in Aid for Trade.

### **President's summary**

69. There was wide agreement among delegations on the need for greater coherence for development between national development strategies and international processes. Developing countries had undertaken a wide range of economic reforms under orthodox development strategies, but the outcome had been mixed and in many cases countries had failed to benefit. This demonstrated that there was no one-size-fits-all policy for development and called for a shift in policy direction so that strategies could be tailor-made to the specific socio-economic situation of each country. It was emphasized that policies must seek to achieve a balance between social equity and economic efficiency.

70. The *Trade and Development Report 2006* had drawn attention to the debate on the virtues of using orthodox macroeconomic policies that relied primarily on market forces as opposed to heterodox policies that required a more proactive approach by Governments. The experience of many countries, particularly in South-East Asia, had shown that there was room for a mixed approach. Market forces should continue to play a leading role in the efficient allocation of resources, but this alone would not guarantee sustainable development. In a globalized and competitive world, there was a need to integrate proactive trade and industrial policies into development strategies, with a focus on capital formation, development of productive capacity and technological upgrading. According to this view, the Government should play a role in stimulating the dynamism of the private sector for national growth, but this did not imply interventionism. With regard to technologies, a well balanced industrial policy should address the capability to innovate and to develop and apply the appropriate technology. Policies should focus on strengthening the domestic economy while maintaining openness to the global economy. It was also important to make economies less vulnerable to external shocks. For one delegation, the key question was how developing countries could make the best use of policy options in order to make the right policy choices based on well founded analysis and how to implement policies through well functioning institutions.

71. Many delegations pointed to asymmetries that were undermining multilateral rules governing world trade and finance, which were biased towards the interests of developed countries and posed challenges to sustained economic growth. These asymmetries came mainly from the lack of multilateral financial rules and from the fact that trade rules were equally binding for all countries in legal terms but posed stricter constraints for developing countries in economic terms. Given the systemic aspect of the coherence debate stemming from the relation between trade liberalization and monetary and financial policies, it could be necessary to discipline and regulate international financial flows to avoid their potential damaging effects on other economic flows, such as trade. Another asymmetry came from the lack of negotiating capacities in many developing countries, and the latter should be more engaged in the rule-setting process. There was therefore a need to mitigate the impact of such asymmetries, but the question was how to do this without reducing the policy space available to developing countries. The answer was not to alter existing structures or replace them but to create the space for adjustment in accordance with development needs and priorities. This in turn did not mean greater protectionism, as it was clear that trade could be beneficial for development. International rules were needed, and the multilateral system had to be strengthened.

72. Existing WTO rules and commitments provided some policy space for developing countries to follow sensible industrial policies in offsetting market failures. But the increasing interdependence of national economies and the intensification of discussions on rules-based regimes had meant that the space for national development policy was often framed by international commitments and global market considerations. Governments needed to assess the trade-off between the benefits of engaging in multilateral rules and losing policy space. Policy space was needed to help protect infant industries and for the transfer of knowledge. Countries acceding to the WTO were forced to make commitments that went beyond those made by founding members and to give up their autonomy. Several delegations also highlighted the importance of regional integration processes in this connection.

73. At the same time, the creation of a regulatory environment was considered of paramount importance for development. Comprehensive reforms in different sectors should be implemented in line with good governance practices. Good governance should not be limited to the national level, but should also apply at the global level. Delegations emphasized the importance of a global partnership between the different stakeholders, including civil society, to achieve development objectives. While developing countries had the responsibility for their own development, developed countries had the responsibility of fostering an enabling international environment.

74. International processes should support and complement national development objectives to help countries diversify away from commodities, to stimulate domestic accumulation of technology and foreign investment, to improve productivity and to build productive capacities. Many delegations also emphasized the need to prioritize education and human resources development, as well as know-how and technology transfer on concessional and preferential terms; it was also essential to bridge the digital divide, since ICTs had a fundamental role to play in attaining the MDGs and preventing further marginalization of developing countries. Mutually beneficial transfer of technology should include aspects of firm-to-firm transfers, capacity building, private and public partnerships, technical assistance and greater access to intellectual property.

75. UNCTAD had an important role to play in the debate on coherence between national policies and global processes for development and on policy space. The trading, financial, monetary and intellectual property systems must be coherent for development to be possible. The need for development-oriented coherence within all structures of international economic governance must be addressed urgently. UNCTAD's policy analysis and consensus-building work could contribute to global economic processes, including multilateral trade negotiations and the follow-up to the Financing for Development Conference, with a view to bringing greater clarity and balance. Its ahead-of-the-curve analytical work and innovative approaches to global problems had a tradition of excellence, establishing the organization as a source of intellectual input for developing countries. It was necessary to restore the position of UNCTAD after the recent erosion of its role and visibility. This called for greater engagement of private, academic and government research institutions with a view to challenging conventional wisdom when necessary. The secretariat should further enhance its intellectual integrity, excellence and independence. UNCTAD should also assist developing countries in building institutional structures and a framework to ensure that trade-related policies and processes maximized development gains and contributed to poverty eradication. It could also help in understanding the capacity of countries to absorb aid and investment in order to generate a virtuous circle of production.

76. One delegation drew attention to the erosion of policy space as a result of unilateralism and the use or threat of use of commercial coercive measures by some countries against other countries. UNCTAD should study the impact of such coercive policies and draw lessons in order to help avoid arbitrary action.

## Chapter IV

### UNCTAD, THE UN REFORM PROCESS, AND DEVELOPMENT

(Subtheme 3)

#### Lead discussants

77. **H.E. Ms. Fayza Aboulnaga, Minister of International Cooperation of Egypt**, emphasized the fundamental role of the United Nations in responding to global challenges. Although the world had changed since the founding of the United Nations, the principles of the UN Charter retained their relevance. While the UN was rightly trying to adapt to today's world, such reform should not compromise its vital role in development. The UN must continue to be of benefit to its developing member States. Indeed, UN reform should promote a greater focus on development issues, particularly in relation to the implementation of Millennium Development Goal 8 – Develop a Global Partnership for Development. Cooperation on development among UN agencies should be enhanced without sacrificing the advantages of specialization and the accumulated experience that each agency had. It was essential that the reform process be inclusive. Not only should developing countries be involved, but so should the private sector – the main engine of economic growth – and civil society organizations. In this regard, the UN had an important function in promoting corporate social responsibility. Reform should also focus on real country ownership of development policies.

78. She underlined that the reform process should make the UN stronger and more assertive of its role under its charter. This would mean a UN that was better funded, more streamlined in its organization, structure and administration, and better able to respond to humanitarian crises.

79. In this framework, UNCTAD needed to continue to evolve in order to meet current and future needs of developing countries. For this, it needed to establish itself as the leading UN agency on emerging issues such as Aid for Trade, enterprise competitiveness and investment for development; it needed to position itself strategically as the only UN body that could provide a holistic view of the global economy with a development perspective, focusing on broadening the policy space that developing countries needed to face today's challenges. UNCTAD needed to revamp the partnerships launched at São Paulo, in particular in the commodities sector, and enhance the role of civil society and of the private sector in its processes.

80. The recommendations of the Panel of Eminent Persons provided some interesting suggestions, particularly in relation to changes in UNCTAD conferences and commissions, as well as in the deliberations of the Trade and Development Board. This should lead to a stronger consensus-building pillar that would give UNCTAD more authority in shaping the development discourse. Much thinking needed to be done also on how to increase the relevance of UNCTAD's contribution to the main UN bodies, particularly the General Assembly. It was useful to think in terms of a “ladder of intergovernmental agreements”, with the top end consisting of contractual obligations and the bottom end comprising chair's summaries. The relevance of UNCTAD's deliberations would be directly proportional to its position on the ladder. Thanks to its universal membership and crosscutting mandate, UNCTAD should pursue moving beyond non-contractual consensus building. There needed to be the will and commitment to translate “sweet talk” into “action in the field”.



81. To that end, UNCTAD needed genuine political will on the part of its member States. While the G-77's political involvement was growing, the development partners must work together with the developing countries in the interest of all. The ultimate test for UNCTAD would be to effectively deliver improvements on the ground, and the emphasis recently placed by the Secretary-General of UNCTAD on capacity-building went in the right direction.

82. **H.E. Mr. Fisseha Yimer, Permanent Representative of Ethiopia to the United Nations in Geneva**, stressed the never-ending nature of the reform process. However, reform should not be seen as an end itself but as a means to achieve a defined objective. In this context, he underlined the important role that institutions played in processes of development. Reform of the UN – and in particular UNCTAD – should lead to a revival of the relevance and competence of UN agencies so that their work became more effective. The UN reform process should not be used as a means to cut resources and reduce mandates. Since UNCTAD renewed its mandate every four years at its quadrennial conferences, the organization underwent change regularly. However, UNCTAD's intergovernmental machinery did require some adjustments. The consensus-building function should move beyond innocuous decisions that would never be implemented towards concrete conclusions that could have an impact on the ground.

83. He stressed the importance of a level-playing field in order to build effective partnerships for development, and UNCTAD's role in building institutional and technical capacity in that regard was important. The value of UNCTAD's analytical work was also stressed. UNCTAD was uniquely placed to provide a clear and integrated understanding of the complex development process. In this context, it was essential to examine the recommendations of the Panel of Eminent Persons with regard to building better synergies between analysis and actions in developing countries. Those recommendations could also help to integrate UNCTAD's holistic approach with the work of other UN agencies while avoiding duplication of work and institutional overlapping.

84. With regard to technical assistance, UNCTAD should strengthen its capacity-building programmes by providing them with adequate and timely resources and by working closely with beneficiaries, so that the programmes were based on careful assessments of local needs and priorities. It should also play an important role in the elaboration, operational modalities and policy implications of the Aid for Trade initiative.

### **Statements**

85. The representative of **Argentina**, speaking on behalf of the **Latin American and Caribbean Group**, said that UNCTAD had a key, strategic role to play in fostering dialogue and the exchange of ideas on trade and development, as it was a consensus-building forum. Furthermore, UNCTAD could contribute to negotiation processes through meetings and events that allowed forward-looking debate. The High-Level Dialogue clearly demonstrated that UNCTAD would continue to be a forum of debate of intellectual integrity and independence. It also demonstrated and that the organization was able to have an ample and complex vision of trade and development. His Group would be seeking to preserve UNCTAD's role as a unique forum for the comprehensive treatment of the problems that afflicted developing countries, as well as enriching the proceedings of UNCTAD XII.

86. The representative of **Angola**, speaking on behalf of the **African Group**, emphasized that there needed to be a revitalized policy dialogue in UNCTAD on

globalization, commodity trade and development. With regard to commodity trade, recent commodity market trends had once again brought to the fore the critical nexus between commodity trade and development prospects, poverty reduction, and international peace and security. Only through international dialogue and cooperation could the problems of commodity trade be addressed in a win-win manner for both consuming and producing countries.

87. Trade in primary commodities, both agricultural and mineral, was of vital importance to both exporting and importing countries. Industrialized and rapidly industrializing economies needed predictable and assured access, through trade, to sustainable supplies of minerals and metals. They also needed agricultural raw materials and foodstuffs in order to maintain and fuel their industrial growth and to satisfy the consumption demands of their populations in a manner commensurate with high and rising standards of living. However, despite the current respite for some commodities in relation to the downward trajectory of prices, the share of Africa in international trade continued to fall, in parallel with the continued decline of African agricultural commodity prices in real terms. It was therefore vital for Africa that issues relating to commodities be urgently and adequately addressed at the multilateral level. In this context, both Africa and the international community should address the key issues identified in the Arusha Declaration and Plan of Action on African Commodities, adopted by Ministers of Trade of the States Members of the African Union in November 2005.

88. Trade and development problems relating to commodities remained as relevant today as they had been 30 years before. There was therefore an urgent need to refocus work in UNCTAD on commodities in the period up until UNCTAD XII. Under the theme of “globalization, commodity trade and development”, UNCTAD could make a major contribution on commodity issues through the three main pillars of its work.

89. The representative of **Pakistan** said that elements for revitalizing UNCTAD should include: preserving the intellectual independence of UNCTAD's research and analytical work; enhancing UNCTAD's development orientation; strengthening the consensus-building pillar, through concrete, negotiated outcomes; enhancing the impact of the research and analysis and the consensus building pillars through provision of practical solutions, policy options, codes of conduct and soft law; contributing substantively to the follow-up to major UN conferences; promoting systemic coherence through enhanced interaction with other institutions of global economic governance; providing demand-driven technical assistance; contributing to South-South Cooperation; contributing to the development-oriented elaboration of concepts like policy space, corporate social responsibility and the new geography of international trade; continuing to provide development impact assessments of recent trends and norm setting; contributing substantively to emerging global initiatives like the Aid for Trade initiative; initiating and maintaining interaction with other institutions in and outside the UN system at the regional and subregional levels; strengthening research and analytical work on macroeconomic issues such as debt sustainability, development financing and aid effectiveness; improving dissemination of research and analytical work, for example through a Geneva-based annual development dialogue; and providing substantive negotiated inputs to the work of the General Assembly.

### **President's summary**

90. The discussion stressed the importance of UNCTAD in the context of UN reform. The UN reform process should make sure that the core competencies of each organization

were maintained. UNCTAD, as the focal point within the UN for the interrelated issues of trade, investment and development, should continue in its core mandate and mission.

91. The fundamental role of the UN in the development process was stressed by a number of delegations. One delegation argued that the Secretary-General's agenda for reform focused disproportionately on the security challenge, rather than on the global development agenda. The development agenda should also be seen in a wider context than just the Millennium Development Goals.

92. However, delegates noted that UNCTAD's mandate was not in question. UN reform, and by extension reform of UNCTAD, aimed not at diminishing work on development, but at revitalizing that work and making it more agile, efficient and relevant to the needs of developing countries. It was the delivery of the development mandate that must adapt to changing times, rather than the core mission.

93. UNCTAD renewed its mandate every four years, and intergovernmental meetings offered several other opportunities to guide UNCTAD's work. There were, however, questions as to the efficiency of UNCTAD's methods; it needed to make better use of its comparative advantage and its resources, with a view to translating them into practical solutions to practical problems at the ground level. In this context, one delegate urged an impact assessment of UNCTAD's technical assistance.

94. Several delegates said that the interconnection between UNCTAD's three pillars should be strengthened, and UNCTAD's unique development perspective and integrated approach to trade, development and related issues should be preserved. For one delegate, UNCTAD was the only institution where LDCs could make their voices heard. While UNCTAD had lost some of its role in the international arena, member States wanted it to regain its position. Research and analysis in UNCTAD should continue providing an alternative perspective as long as it was relevant and well founded, UNCTAD should continue being a meeting place for substantive dialogue and should restore the authority of that dialogue, and it must consolidate its technical assistance and increase its coherence in terms of its strategic priorities.

95. Other delegates said that UNCTAD had a leading role to play in enhancing the coherence of global economic processes and that it must help level the playing field for developing countries. The field of trade and development was getting crowded as a result of the involvement of other UN agencies, but UNCTAD remained the most competent forum for addressing the development perspective. The Secretary-General of UNCTAD had said that an inter-agency compact, as recommended by the Panel of Eminent Persons, was crucial to managing the encroachment of other bodies on UNCTAD's mandate; delegates should also reiterate the importance of preserving UNCTAD's mandate on development in their dealings with their capitals, in New York, and in other international fora.

96. The need for reform in UNCTAD was evident, and the report of the Panel of Eminent Persons had several important recommendations that would serve as a good basis for future intergovernmental discussions on the issue. It was an uncompromising report that should be widely distributed. Several delegates said that their countries were willing to engage in discussions on its recommendations, and they asked the secretariat to express its opinion on the recommendations of the report in order to better inform the discussions. One delegate said that each recommendation must be submitted to a "development audit" in order to assess the usefulness of the recommendation with respect to enhancing the development

mission of UNCTAD. In this context, there needed to be intergovernmental consensus on each recommendation. They also pointed out, in the context of the recommendations of the Panel Report, that another report on UNCTAD reform had been prepared by the South Centre, and this should also be taken into account in further discussions.

97. One of the keynote speakers remarked that, for UNCTAD's reform to be successful, there must be faith in and commitment to the institution, as well as recognition of UNCTAD's achievements. UNCTAD had made historic contributions to advancing the global discourse on development. A positive engagement between developing countries and their development partners would demonstrate the political will of all. Once more, delegates welcomed the courage of UNCTAD's Secretary-General in launching this process and expressed trust in his leadership.

98. Regarding consensus building, the intergovernmental machinery must allow a frank exchange of ideas that would lead to policy-oriented outcomes with a view to having a real influence on the political discussions in the General Assembly and ECOSOC, as well as on the follow-up to major international conferences on development. UNCTAD should catalyze action on comprehensive development work, including in other fora. Member States should ensure that the three tiers of the intergovernmental machinery – Expert Meetings, Commissions, and the Trade Development Board – build on each other to that end. In addition, the work of UNCTAD should be enriched by increased interaction with civil society and the private sector.

99. Several delegates hoped that the expected agreed outcomes of the Mid-term Review would provide clear guidance on the work remaining until UNCTAD XII and provide inputs to the preparation of topics for that next conference. One delegate was encouraged to note that speakers during the Mid-term Review had supported UNCTAD's mandate on finance and suggested that it be revitalized, including by addressing in UNCTAD's work the issue of the international financial architecture and of the development potential of migrants' remittances and of domestic savings. Another delegate said that UNCTAD must respond to the challenge of economic interdependence. UNCTAD's contribution to the resumption of the Doha round of negotiations and to Aid for Trade would help countries benefit more from globalization while minimizing the costs.

100. One delegate said that LDCs, particularly in Africa, seemed to have been left by the wayside. For example, the tragedy of refugees and of illegal migration was rarely spoken about, as if the people affected lived on a distant planet. How could LDCs make the international community aware and help them look for solutions? One of the keynote speakers said that this lay at the heart of the debate on UNCTAD and UN reform. The core reason for the poverty and despair that gave rise to population movements was a lack of integrated development, decent work and opportunities. LDCs could not embrace liberalization if they were not helped to deal with its consequences. And while laws prohibiting illegal immigration showed that this issue also affected developed countries, they would not curb the problem. Aid for Trade promised to be a good way of addressing the problems of globalization. UNCTAD could help developing countries optimize the benefits of globalization by offering them the tools to develop their capacities, human resources and skills. When developing countries benefited, developed countries would too.

101. One delegate said that the discussions on reform of UNCTAD should also deal with the issue of scheduling of meetings; future intergovernmental meetings should avoid overlapping with other processes in Geneva in order to increase participation.

## Annex I

### ATTENDANCE

1. Representatives from the following States members of the Trade and Development Board attended the session:

Afghanistan	Germany	Paraguay
Albania	Ghana	Peru
Algeria	Greece	Philippines
Angola	Guatemala	Poland
Argentina	Guinea	Portugal
Australia	Haiti	Republic of Korea
Austria	Honduras	Romania
Azerbaijan	Hungary	Russian Federation
Bahrain	India	Saudi Arabia
Bangladesh	Indonesia	Senegal
Barbados	Iran (Islamic Republic of)	Serbia
Belarus	Iraq	Seychelles
Belgium	Ireland	Singapore
Benin	Israel	Slovakia
Bolivia	Italy	Slovenia
Botswana	Jamaica	South Africa
Brazil	Japan	Spain
Bulgaria	Jordan	Sri Lanka
Burkina Faso	Kenya	Sudan
Cameroon	Kuwait	Sweden
Canada	Lesotho	Switzerland
Chad	Libyan Arab Jamahiriya	Syrian Arab Republic
Chile	Lithuania	Thailand
China	Luxembourg	Trinidad and Tobago
Colombia	Madagascar	Turkey
Côte d'Ivoire	Malaysia	Uganda
Croatia	Mali	Ukraine
Cuba	Mauritania	United Kingdom of Great Britain and Northern Ireland
Czech Republic	Mauritius	United Republic of Tanzania
Democratic Republic of the Congo	Mexico	United States of America
Dominican Republic	Moldova	Uruguay
Ecuador	Morocco	Venezuela
Egypt	Mozambique	Viet Nam
El Salvador	Myanmar	Yemen
Estonia	Nepal	Zambia
Ethiopia	Netherlands	Zimbabwe
Finland	Nicaragua	
France	Nigeria	
Gabon	Norway	
Georgia	Oman	
	Pakistan	

2. Representatives from the following States members of UNCTAD not members of the Trade and Development Board attended the session:

Bosnia and Herzegovina	Swaziland
Cambodia	Timor-Leste
Holy See	Tonga
Rwanda	Vanuatu

3. The following observer attended the session:

Palestine

4. The following intergovernmental organizations were represented at the session:

African Union  
African, Caribbean and Pacific Group of States  
Agency for International Trade Information and Cooperation  
Common Fund for Commodities  
European Community  
European Free Trade Association  
International Jute Study Group  
League of Arab States  
Organisation afro-asiatique pour le développement durable  
Organisation internationale de la francophonie  
South Centre

5. The following United Nations organization was represented at the session:

Economic and Social Commission for Asia and the Pacific  
Economic Commission for Africa  
International Trade Centre

6. The following specialized agencies and related organizations were represented at the session:

World Intellectual Property Organization  
World Trade Organization

7. The following non-governmental organizations were represented at the session:

*General Category*

International Centre for Trade and Sustainable Development  
Third World Network

## Annex II

### LIST OF DOCUMENTS

TD/B(S-XXIII)/1	Provisional agenda
TD/B(S-XXIII)/2	Implementation of the São Paulo Consensus
TD/B(S-XXIII)/2/Add.1	Implementation of the São Paulo Consensus, Annex I: Lessons learned
TD/B(S-XXIII)/2/Add.2	Implementation of the São Paulo Consensus, Annex II: Detailed activities
TD/B(S-XXIII)/3	Strengthening the three pillars of UNCTAD
TD/B(S-XXIII)/4	Report of the Trade and Development Board on the first part of its twenty-third special session
TD/B(S-XXIII)/5	Report of the Trade and Development Board on the second part of its twenty-third special session
TD/B(S-XXIII)/6	UNCTAD and development: the way forward
TD/B(S-XXIII)/7 (Vol. I)	Report of the Trade and Development Board on the third part of its twenty-third special session (Mid-term Review)
TD/B(S-XXIII)/INF.1	List of participants
TD/B(S-XXIII)/INF.2	List of participants
TD/B(S-XXIII)/L.1	Draft report of the Trade and Development Board on its twenty-third special session
TD/B(S-XXIII)/L.2	Proposed outcome document of the second part of the UNCTAD XI Mid-term Review
TD/B(S-XXIII)/L.3 and Add.1	Draft report of the Trade and Development Board on the second part of its twenty-third special session
TD/B(S-XXIII)/L.4	Strengthening the three pillars of UNCTAD: Agreed outcome
TD/B(S-XXIII)/L.5	UNCTAD, development and the way forward: Draft agreed outcome submitted by the Group of 77 and China
TD/B(S-XXIII)/L.6 and Add. 1-3	Draft report of the Trade and Development Board on its twenty-third special session
UNCTAD/IAOS/2005/6	UNCTAD at São Paulo and Bangkok – Outcomes and Mandates

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