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## **Introduction**

### **Addressing the challenges of the current stage of globalization and creating opportunities for development**

1. Since early 2000, the fast-accelerating globalization of trade and capital flows has brought rapid economic growth to many countries, including developing countries and countries with economies in transition. Following an extraordinary increase in their exports, many of these countries have significantly increased their real income and enjoyed growth in employment and a reduction in poverty. Many appear to be on track to meet the Millennium Development Goals.
2. However, these advances have not been shared by all, and some countries, particularly the least developed countries and many African countries, have not been lifted by the economic recovery. Pockets of extreme poverty remain: these are linked to commodity dependence, a lack of productive capacity and a lack of access to basic services. A major challenge for the international community today is to ensure that globalization is a positive force for all people, men and women alike.
3. It is increasingly acknowledged that the pro-development impact of globalization is not a given, but needs to be induced by political decisions and actions. These should recognize the interplay between the economic, social and environmental dimensions of globalization. Hence, national and international policies and development strategies should aim to identify instruments that can bridge the development gaps and perceived systemic failures by harnessing the positive forces of globalization.
4. Such policies should be sensitive to the context, needs and levels of development of each country in which they are applied. For example, the challenges faced by the least developed countries (LDCs) and some African countries are different from those faced by some countries with economies in transition, and their capacities for tackling the challenges are different too, even though all are seeking to benefit from the new wave of globalization in which the South is playing an increasingly significant role.
5. The emergence of some developing countries as leading players in international trade and financial flows has been a particularly important feature of the globalization experience of recent years. It has already contributed to growing economic cooperation and exchanges between developing countries. In the long term, these emerging international economic relations have the potential to enhance development and enrich multilateralism. However, a successful process of balanced global development requires that South-South economic cooperation does not supplant efforts to address the enduring imbalances in economic relations between advanced and developing economies.
6. In short, there is a need for strategic coherence between national and international perspectives. This means that proactive policies at the national level in developing countries should be supported at the multilateral level, in a global partnership for development.

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## **I. Sub-theme 1: Enhancing coherence at all levels for sustainable economic development and poverty reduction in global policymaking, including the contribution of regional approaches**

### **A. Policy analysis**

7. Over the past two decades, national economic reform agendas have tended to rely on market forces for more efficient resource allocation, focusing on improvements in the incentive structure and reduced State intervention. However, proactive policies that support capital accumulation and productivity enhancement are still needed for successful integration into international economic relations and for sustained improvements in the welfare of all groups of the population. Moreover, national development strategies must take into account the needs and circumstances of each country, as well as the need for specific policy instruments at different stages of development. Sudden wealth acquired from rapid increases in commodity prices could pose new challenges for national development strategies and governance. International rules and regulations must leave adequate flexibility for policy instruments to support capital accumulation, technological upgrading, structural change and inclusive and equitable development.

8. National governance is a critical determinant of rapid economic development. While institutional arrangements fulfil similar functions in different countries, their form varies from country to country, as well as within the same country over time. Likewise, the diversity of cultures and historical experiences means that, while general principles can be identified, there is no finished model for improved, growth-enhancing governance and institutions.

9. Regional integration and cooperation has become a prominent feature of the international economic landscape. Geographical and cultural proximity offers considerable advantages in a range of economic areas. The further integration of developing countries and regions contributes substantively to supporting national development agendas and fostering economic growth and efficiency. It helps provide smaller, landlocked and small island developing States, especially LDCs, with new trade opportunities.

10. The global economic system lacks coherence at the levels of monetary and financial cooperation. This imbalance threatens the stability of the multilateral trading system. While tariff and non-tariff barriers should be at the centre of trade negotiations, in small, open economies the exchange rate is the single most influential price and dominates overall competitiveness. International experience has shown that large and abrupt exchange-rate movements are a major threat to trade agreements. Exchange-rate volatility affecting regional currencies may distort trade flows and undermine trade integration. Yet surveillance and regulation in these critical areas lack the degree of discipline achieved in the multilateral trading system.

11. Large current-account imbalances have become a central feature of the world economy. This increases the risk of disruptive movements in the exchange rates of the major currencies, with severe implications for the outward-oriented economies of developing countries. Meanwhile, several emerging market economies are opting for self-insurance by holding large amounts of international reserves, rather than using the protection mechanisms provided by

international financial institutions. This worrisome trend marginalizes existing institutions and leads to the adoption of second-best policies.

12. The past few years have been characterized by a favourable international environment for the external debt of developing countries. Ample global liquidity and policy improvements in developing countries have reduced risk aversion among international investors and resulted in large flows of private capital to middle-income developing countries. However, recent episodes of financial turmoil indicate that these favourable conditions may not last forever. Moreover, a few developing and transition countries are still characterized by large current-account deficits and overvalued exchange rates.

13. While many middle-income countries can partly finance development goals by accessing the international capital markets, low- and lower-middle-income countries rely almost exclusively on development finance. Thus, aid flows and cooperation in its delivery are vital to efforts to achieve internationally agreed development goals. However, recorded net nominal official development assistance (ODA) disbursement, less debt forgiveness, remains at levels similar to those prevailing in the early 1990s. While debt relief was intended to channel additional resources to developing countries, the fact that real ODA excluding debt forgiveness is below its levels in the early 1990s suggests that debt relief under the Highly Indebted Poor Countries (HIPC) initiative has not been additional. Even including debt relief, projected ODA flows fall short of the G8's Gleneagles pledge to double aid to Africa between 2005 and 2010, threatening a downward revision of targets rather than the scaling-up expected and required.

## **B. Policy responses**

14. For development efforts at the national level to succeed, the formulation and effective implementation of a national development strategy needs to be combined with supportive regional and global policy measures. At the national level, sustainable and equitable development requires pro-growth macroeconomic policies, efficient structural policies, good governance and respect for human and economic rights. Trade policies need to be fully integrated into a sound domestic policy framework and national development strategies, and poverty reduction and trade need to be incorporated into the United Nations Development Assistance Framework (UNDAF). The improvement of institutional governance advances in tandem with other domestic and global requirements of sustainable development. The various pillars of the global economic architecture must work in concert.

15. There can be close links between sustainable development and poverty reduction and the empowerment of women. Gender equality and women's empowerment should be mainstreamed in development policies and practices when relevant and feasible. There are, however, some general policy options and responses that are relevant to the challenges faced by most, if not all, developing countries.

16. Coherence between macro- and microeconomic policies is crucial. Microeconomic and structural policies can be designed to provide incentives for investment that can bring about productivity growth and improve the international competitiveness of domestic enterprises. However, a macroeconomic policy that leads to high domestic interest rates and an overvalued exchange rate is not conducive to such investment. A coherent policy strategy of industrial development and technological upgrading needs to be

supported by a pragmatic, strategic approach aimed at fitting foreign direct investment into the development agenda. Such a strategy should aim to encourage faster and more sustained growth, alongside structural and technological change. Industrial policy and domestic investment measures are more likely to succeed when there is adequate room for complementary trade and competition policies. Trade integration is most effective when it contributes to technological upgrading and increases domestic value-added through a network of domestic forward and backward production linkages.

17. The macroeconomic management of higher fiscal and foreign-exchange earnings from commodity exports must aim to ensure that the current boom in commodity prices helps to spur diversification, industrialization and structural change. Resource-rich developing countries should also use rising resource rents to ensure long-term sustainability, by moving away from the depletion of natural resources and towards investment in material and human capital, and by confronting pressing employment and social needs.

18. In developing countries, the imperatives of enterprise development and structural change imply the provision by institutions of mechanisms to implement policies designed to achieve high rates of investment and the adoption of new technologies. The guiding principle behind institutional reform should be to address the information and coordination failures that undermine entrepreneurial decision-making and to improve transparency and checks and balances.

19. Policy diversity is necessary to enable each country to attain its development priorities and objectives. Policies that lead to macroeconomic stability must be seen not as ends in themselves but in terms of how they contribute to development. Otherwise, there is a risk that the replication of generic policies will have unintended consequences, and may even give results contrary to those produced by the same policy elsewhere.

20. At the global level, the architecture for economic governance requires further reform if it is to provide an adequate framework for dealing with the changing realities of international economic and financial relations. In the search for greater coherence between the different components of the global economy, the diversity of the family of nations must be taken into account. The increased complexity and interdependence of today's global economy calls for more universal and transparent management of international economic relations. This in turn implies that developing countries should be more closely involved, and have more of a say, in international economic decision-making.

21. Closer regional integration among developing countries can reinforce national development strategies and multilateral agreements. If such cooperation extends beyond trade liberalization to encompass policies in support of growth, stability and structural change, it can also expand the policy options for development. Regional financing mechanisms can complement international institutions and provide alternative long-term sources of finance, especially for small economies that do not have very well developed domestic financial markets. One of the aims of regional monetary and financial cooperation could be to provide long-term financing through regional development banks or regional capital markets. Another positive form of cooperation involving a region's central banks relates to trade facilitation and short-term financing.

22. Regional arrangements designed to manage exchange rates are another dimension of monetary and financial cooperation. Stabilizing exchange rates among countries within a region that enjoys a high and increasing share of intraregional trade and financial flows can be an important element in

establishing a common market. This highlights the importance of efforts to build a truly cooperative monetary system at all levels.

23. Efforts to deepen regional integration should not only focus on tariff and non-tariff barriers but should also promote coherent macroeconomic and exchange-rate policies, together with regulatory convergence, harmonized standards and the development of regional financial centres. Such coherence should be at the centre of regional trade agreements and is crucial to the economic relationship between developing and advanced countries. Regional efforts to strengthen financial cooperation should not, however, pre-empt multilateral efforts to strengthen the international financial system and its coherence with the international trading system. Successful regional financial cooperation among developing countries could be one of the building blocks of an improved international monetary system.

24. International financial stability and crisis prevention is a precondition for development and sustainable growth. At the international level, financial stability should be maintained through continuous surveillance of capital and financial markets in all economies. Such surveillance requires improvements in the transparency of macroeconomic data and accurate and timely statistical information on debt structure and international capital flows.

25. The international financial system needs to be equipped with instruments for preventing debt crises. In the case of developing countries with access to the international financial markets, the main issues are to avoid the destabilizing effects of capital flow volatility and to make debt structure less vulnerable to external shocks. With respect to the former, domestic and global policies must be implemented to prevent destabilizing speculative capital flows. With respect to the latter, developing countries should be encouraged to increase their reliance on safer forms of financing, including contingent debt instruments. It should also be recognized that, even with increased prevention, some crises are bound to occur, and thus a comprehensive approach needs to be developed to deal with debt default and rescheduling in the case of both low- and middle-income developing countries. It is important to monitor the evolution of external and domestic debt in developing countries and to develop early-warning mechanisms to detect potential causes of vulnerabilities.

26. In the case of countries with limited access to the international financial markets, debt crises can be avoided by conducting an appropriate debt-sustainability analysis, which should also consider the growing role of domestic debt. Debt-sustainability criteria should take internationally agreed development goals into account and should identify the level of debt that will allow a country to achieve its development objectives without increasing its debt ratios. Donors should therefore increase their ODA and strive to achieve the internationally agreed targets, in accordance with the Monterrey Consensus of the International Conference on Financing for Development. Multilateral and bilateral donors should also fulfil their commitments to those developing countries faced with unsustainable debt burdens and should intensify initiatives to reduce outstanding indebtedness. Sustainable debt levels require not only debt relief, but also prudent borrowing by developing countries and responsible international lending. Sensible debt management in turn requires adequate statistical and analytical capacities.

27. There are systemic issues relating to aid quantity and quality. Measuring aid quantity is not a simple exercise, and measuring the quality of aid flows is even more challenging. Further cooperation among development partners and the relevant international institutions in this area should aim to increase the

accountability of both donors and recipients. Meanwhile, the welcome advent of new sources of development finance from middle-income countries calls for greater coordination and harmonization at the global level to ensure its effectiveness.

### **C. UNCTAD's contribution**

28. UNCTAD's analytical capacity, and its ability to undertake research on macroeconomic policies, finance, debt and poverty, and on their interdependence, should be used to help developing countries meet the challenges of globalization. UNCTAD's work, centred on the eradication of poverty in the context of trade and sustainable development, should make an important contribution to exploiting the benefits of globalization for developing countries.

29. In its work on globalization and development strategies, UNCTAD should focus on interdependence and systemic coherence by:

- (a) Identifying specific needs and measures arising from the interdependence of trade, finance, technology and macroeconomic policies in terms of their effect on development and global poverty reduction;
- (b) Contributing to a better understanding of coherence between international economic rules, practices and processes, including the international, monetary and financial and trading regimes, on the one hand, and national policies and development strategies on the other;
- (c) Supporting developing countries and countries with economies in transition in their efforts to formulate development strategies and build economic governance institutions adapted to the new patterns of interdependence in the world economy; and
- (d) Assessing the quantitative and qualitative aspects of international aid.

30. UNCTAD should continue its useful role of providing independent, ahead-of-the-curve analysis and explaining how sustainable development is in the mutual interest of all countries. It should help identify international, regional and national policies that are favourable to development, and should propose pragmatic policy advice on, and innovative measures for, tackling the challenges of globalization. UNCTAD's expertise should be used to explore how globalization can support inclusive development and how appropriate development strategies should be formulated and implemented, taking into account the elements of sustainable and equitable development.

31. UNCTAD should strengthen its contribution to the understanding of how best to achieve greater coherence in global economic policymaking. In the context of the interdependence and coherence of international trade, financial and monetary systems, this work should seek to help developing countries integrate successfully into the global economy and reap greater benefits from globalization. Research on interdependence should address:

- (a) The problems faced by developing countries as a result of international financial and monetary instability;
- (b) The impact of trade and macroeconomic policies in advanced countries on the development prospects of emerging and developing countries;
- (c) The impact of regional integration on development;

- (d) Debt sustainability, including active debt management, and the impact of debt on national capacities and on the allocation of resources to different sectors; and
- (e) The effectiveness of private and official aid flows in financing development.

A topical area for research concerns measures designed to avoid a disorderly unwinding of global current-account imbalances that give rise to deflationary adjustments in the world economy.

32. At the national level, areas to which UNCTAD should give special attention include:

- (a) The impact of growth-oriented macroeconomic and financial policies on development;
- (b) The creation of an enabling environment for the private sector and entrepreneurial investment;
- (c) Policies to enhance the productive capacity of developing countries and improve their ability to compete in the global economy;
- (d) Income distribution and poverty alleviation; and
- (e) Strengthening domestic governance and other elements of sustainable and equitable development.

33. Recognizing the need for diversity in national policies, UNCTAD should continue to highlight, from a trade and development perspective, the basic elements of sound macroeconomic policies that are conducive to an expansion of productive capacity and productivity, faster and sustained growth, employment creation and poverty alleviation. UNCTAD should also continue to elaborate on the concept of policy space.

34. Reliable and timely statistics are essential for strengthening UNCTAD's research and policy capacity and for better informing the global development policy debate. Given its perspective on interdependence and its ability to process multidisciplinary data, UNCTAD could highlight the interlinkages between globalization, trade, and development indicators.

35. UNCTAD should continue its analysis of the policy implications for developing countries of debt and development finance issues and should maintain its capacity-building programme for public debt management, debt relief and debt sustainability analysis. On the basis of its analytical work, UNCTAD should continue to provide technical assistance and support for developing countries in building national capacities through the Debt Management and Financial Analysis System (DMFAS) programme, in cooperation with the International Monetary Fund, the World Bank and other stakeholders. UNCTAD should continue to participate in multilateral processes and international deliberations on external debt and finance, including in the Paris Club and the Development Cooperation Forum. Maximum synergy should be sought between analytical work and technical assistance.

36. UNCTAD must maintain a special and differential focus on the needs of the least developed countries and Africa in coping with challenges related to UNCTAD's core mandate. Special groupings of vulnerable, small and weak economies, landlocked developing countries and small island developing States, as well as war-torn and post-conflict economies, continue to deserve the attention of global economic forums and institutions. UNCTAD should contribute to the efforts by the United Nations system to diagnose the causes of the lack of progress and should make practical policy recommendations to



ensure globalization is fully inclusive. In order to promote growth and development for all, UNCTAD needs to pay sustained attention to the problems faced by these groupings.

37. UNCTAD has traditionally played a substantive supporting role in South-South cooperative arrangements in all three pillars of its work. It should strengthen its work in this area by: (a) deepening research and analysis of the synergies between South-South trade, investment and finance; (b) upgrading data and analytical tools on South-South flows and cooperation; and (c) promoting South-South and triangular development cooperation.

38. UNCTAD's analysis of the development prospects for the Palestinian economy has identified welcome avenues for coherent technical cooperation with development partners, focused on alleviating economic adversity and preparing institutional capacity for sovereign economic governance. Adequate resources should be given to strengthening its programme of assistance to the Palestinian people and to intensifying policy advice and operational activities in the areas of development strategies and trade policy, trade facilitation, public finance modernization, and investment and enterprise development.

## **II. Sub-theme 2: Key trade and development issues and the new realities in the geography of the world economy**

### **A. Policy analysis**

39. Trade-driven globalization has created immense opportunities and challenges for development. Some developing countries have emerged as regional and global dynamos of trade. There is a powerful move towards regionalism. Competition for commodities, especially food, energy and minerals, has intensified. In the global pursuit of cost-competitive and quality-competitive labour, skills and services, a high premium is placed on knowledge, innovation and technological edge. Trade-driven globalization can help promote access to goods and essential services. On the other hand, it can lead to de-industrialization, declining agriculture and increased exposure to financial shocks. Maximizing the benefits and minimizing the costs of trade-driven globalization calls for mutually supportive national and regional policies, complemented by improved global governance, coherence and solidarity for development.

40. A singular challenge in the systemic evolution of the multilateral trading system is to mainstream the development dimension in an operational manner. A well-functioning and development-oriented multilateral trading system can deliver major benefits. The Doha Round of multilateral trade negotiations offers an opportunity to further liberalize trade (especially in areas of interest to developing countries), mainstream development into the multilateral trading system, correct asymmetries and remove distortions. Unfortunately, many developing countries and countries with economies in transition have limited experience in such negotiations.

41. Accession to the World Trade Organization (WTO) is an integral part of the development strategies of developing countries and countries with economies in transition aiming to benefit fully from the international trading system. Joining WTO is a complex, extensive and frequently lengthy process, compounded by acceding countries' lack of adequate resources, policies and

institutions. Accession could also have major implications for the scope of policy flexibility and policy options.

42. The proliferation of bilateral free trade agreements and regional trade agreements on a South-South, North-North and North-South basis means that almost 50 per cent of global merchandise trade is now covered by such agreements. The layers of preferences within regional trade agreements mean that non-members are excluded from trade among members, introducing discriminatory trade relations that lead to the erosion of the most-favoured-nation principle. Regional integration among developing countries can help overcome such limitations so that trade can be used to further development. The potential of South-South integration is further enhanced when it leads to “deep integration” measures.

43. Trade preferences, such as the Generalized System of Preferences, play a useful role in helping countries achieve market access and become more competitive. However, they are not being used fully and their value is being gradually eroded by liberalization.

44. The problems of commodity trade continue to be a major concern in the twenty-first century. Over the medium to long term, the prospects for continued growth in world demand for most commodities are bright, and commodity prices can be expected to remain relatively high. This will allow commodity-dependent developing countries to invest in development and poverty reduction, but they need to be better equipped to handle future price fluctuations and competition. Ways must be found to reduce the vulnerability of commodity importers to increases in commodity prices, particularly food and energy prices.

45. Access to energy is crucial to growth and development. The past few years have witnessed high and volatile crude oil prices, with major ramifications. Oil exporters risk seeing their increased export revenues lead to real exchange-rate appreciation and loss of competitiveness. Oil importers face rising import bills that can trigger adverse knock-on effects in every sector of the economy.

46. South-South cooperation has grown in importance, supported by a confluence of policy- and market-related factors. It should complement, not replace, North-South trade. There is considerable potential for trade and investment among countries with economies in transition and developing countries. In this connection, attention should also be paid to middle-income economies.

47. Meaningful trade liberalization will require the removal of non-tariff barriers, which are complex and costly to comply with, and which act as trade barriers.

48. Fair competition in national and global markets is critical. The growing concentration of market power in the hands of a few global enterprises can increase the scope for anti-competitive practices. This can adversely affect the trade and development prospects of developing countries, their enterprises, their consumers and their producers.

49. The services economy is the new frontier for the expansion of trade, productivity and competitiveness, and for the provision of essential services and universal access. In recent years, developing countries have performed well in trade in services, especially in tourism, transport, construction, care services, audiovisual resources, computers, information services, and business and professional services. Positively integrating developing countries, especially LDCs, into the services economy and services trade remains a major development challenge.

50. Over a billion people, a large proportion of whom are women, will join the global labour market by 2010 as a result of changing global production, trade and investment networks, and economic and political factors. New complementarities in demographics, labour forces and skills have created significant win-win opportunities in the area of labour mobility between developing and developed countries. However, market realities and actual labour flows on the ground exceed existing frameworks for labour movement. One of the biggest challenges today is to facilitate and manage labour mobility and integration.

51. Globalized production processes, intra-company trade and just-in-time deliveries all require fast, economical and reliable logistics services and fewer administrative hurdles. Access to global transport networks and trade facilitation infrastructure is crucial to participation in international trade. However, LDCs, and particularly landlocked LDCs, lack the basic transport infrastructure and trade facilitation measures required for active participation in global trade.

52. Climate change poses one of the greatest risks to development worldwide, and must be addressed. The conservation and sustainable use of biodiversity in developing countries provides new opportunities for trade and investment. Biotrade provides an important avenue for preserving biodiversity and enhancing development. Environmentally preferable products and production methods present new opportunities for developing countries. A key concern is the proliferation of new environmental, health and food-safety requirements, including private voluntary standards, in key export markets. Such requirements may adversely affect the market-entry opportunities for exports from developing countries.

53. Traditional knowledge, innovations and practices are the main asset of the poor in developing countries, but traditional knowledge is being lost at an alarming rate as a result of globalization and environmental degradation. In some cases, it is being inappropriately exploited.

54. The Aid for Trade initiative is a crucial issue for the international trade and development community. Aid for Trade has traditionally been important in the United Nations system. It enables market access opportunities to be meaningfully exploited by all developing countries, especially LDCs.

## **B. Policy responses**

55. In order to make globalization a positive force for all, with its benefits shared equitably, a comprehensive and coherent package of development solidarity is required.

56. All countries should uphold and reiterate their commitment within WTO to promote a development-friendly multilateral trading system. They must demonstrate their shared interest in, and the political will to achieve, the success of the Doha Round and the realization of its core development agenda. A successful outcome to the round will require significantly enhanced and additional real market access and entry for developing countries' exports in agriculture, non-agricultural products and services. There is a need to improve the rules to address and remove existing asymmetries and enhance the fairness and equity of the multilateral trading system, including through special and differential treatment.

57. Acceding developing countries, especially LDCs, and countries with economies in transition should benefit from balanced terms of accession that

reflect their trade, financial and development circumstances. These terms should be consistent with the rights and obligations of WTO members at similar levels of development. Developing countries and countries with economies in transition should be provided with extensive technical assistance at all stages of the accession process.

58. Countries engaging in regional trade agreements should ensure greater policy coherence and compatibility between their regional and multilateral commitments to ensuring development. The economic partnership agreements between the European Union and the African, Caribbean and Pacific Group of States should serve as instruments for development and poverty reduction in these States.

59. Strengthened support and adequate resources should be provided to developing countries and countries with economies in transition to enable them to build human, institutional, policy and regulatory frameworks that will allow them to engage effectively and proactively in multilateral, regional and other trade negotiations and to implement the ensuing agreements. Sustained, country-based and tailor-made support is vital.

60. The new protectionism in respect of trade and investment from new growth poles in the South is counterproductive and should be eschewed. Enhancing the integration of LDCs into international trade requires building their productive capacities and bolstering their participation in value chains, including in new and dynamic sectors of world trade such as the creative industries. Attention should be paid to determining how transition economies can benefit from increasing trade and investment flows with developing countries. Promoting and strengthening effective regional integration and economic cooperation among developing countries will sustain South-South dynamism. The Global System of Trade Preferences among Developing Countries (GSTP) and other similar South-South interregional initiatives are important in this respect.

61. Effective adjustment support should be provided to developing countries to enable them to undertake liberalization and reform pursuant to trade agreements, and to put in place complementary policies for building competitive productive capacities and trade infrastructure based on each country's needs and priorities.

62. Decisive international efforts must be deployed to comprehensively address non-tariff barriers in WTO and regional trade agreements. Efforts should be made to: (a) ensure the meaningful participation of developing countries in standard-setting processes; (b) design new standards in a transparent and inclusive manner; (c) strengthen institutional and technical capacity in developing countries to respond effectively to new standards in export markets; and (d) promote mutual recognition agreements.

63. The outcome of the Fifth Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices should be implemented by all. Capacity-building for competition agencies in developing countries and countries with economies in transition should be strengthened. International cooperation to deal with anti-competitive practices, including through the Intergovernmental Group of Experts on Competition Law and Policy, should be fostered.

64. The donor community and international financial institutions should ensure that the Aid for Trade initiative is comprehensive in scope, funding and sustainability. Aid for Trade could be modulated to meet the immediate needs of coping with trade shocks and costs arising from liberalization, and to build productive capacity and competitiveness. Aid for Trade should meet the

common and specific needs of developing countries and deliver global public goods in a demand-driven and needs-based manner. Multilateral institutions, including UNCTAD, should be provided with financial support by donors to deliver trade-related technical assistance and global public goods.

65. More attention should be paid to commodity issues. There is a need to enhance market access for commodity-based products and to mobilize financial resources to support trade in this area. Addressing the causes, and mitigating the adverse consequences, of long periods of commodity price declines and fluctuations is equally imperative. Substantial investment is needed in infrastructure, diversification, value addition and competitiveness within commodity value chains. The international community should agree on an international action plan on commodities, taking into account the recommendations of the Arusha Declaration and Plan of Action on African Commodities and the Global Initiative on Commodities conference held in Brasilia in May 2007.

66. The beneficial integration of developing countries into the services economy will require securing favourable conditions for their increasing participation in world trade generally, as well as in the Doha Round and regional trade agreements. Sound national, regional and international policies, strategies, regulations and institutions in the area of services are necessary to foster an enabling environment for building a competitive services supply and tackling poverty and infrastructure and human capital deficits. The international community should pay special attention to the services exports on which developing countries are highly dependent, including Mode 4 and tourism.

67. Developing countries need to conduct comprehensive national services policy reviews, which would allow them to devise national and regional strategies and complementary policies and to build regulatory frameworks and institutions. The human and social development implications of the service economy have to be addressed to ensure universal access to essential services such as education, energy, health, water, telecommunications and financial services. The availability, capacity and competitiveness of domestic producer services should be improved to enhance export performance. Stronger, more comprehensive support should be provided on services.

68. Temporary labour mobility should be facilitated. Improved market opening commitments under Mode 4 of the General Agreement on Trade in Services (GATS) would unlock new opportunities for developing countries in such areas as construction, health care, tourism and information technology-enabled services. Bilateral and regional arrangements to facilitate the movement of workers can help. This includes measures that encourage temporary migration, with better ways of ensuring return, mitigating brain drain, achieving “brain gain and brain circulation”, and maximizing the productive use of remittances. The Global Migration Group and Global Forum on Migration and Development can bring coherence and synergy to migration, trade and development issues.

69. Urgent attention should be paid to ensuring access to energy. Oil exporters should channel windfall revenues into investments in infrastructure and human capital for the benefit of future generations. Promoting development-conducive strategies in order to achieve a better energy mix is important for oil importers.

70. Trade and development approaches to mitigating and adapting to climate change and to addressing biodiversity issues need to be promoted. Developing countries and countries with economies in transition need assistance in capacity-building, technology transfer and adaptation measures with a view to reducing greenhouse gases. Specific financing mechanisms should be made available to

develop and adopt new energy technologies. Renewable sources of energy are important. The use of biofuels is a useful option that could be adopted after careful assessment. Biotrade policies and strategies should also be developed.

71. Developing countries and countries with economies in transition need support to help them seize new market opportunities for environmentally friendly products and services. They also need help to enable them to deal with new standards, to improve their physical and quality-assurance infrastructure and to design policies that reduce the risk of marginalization of small and medium-sized enterprises and improve their involvement in global supply chains. Greater transparency and consultation by standard-setters is required.

72. National and international efforts are needed to protect and promote the sustainable use of traditional knowledge and ensure the equitable sharing of benefits between patent-holders and traditional owners.

73. Developing countries need to strengthen their trade and transport-related facilitation systems. Regional cooperation and partnerships in trade and transport facilitation should be developed and strengthened. An enabling legal framework on international trade and transport to facilitate cross-border transactions should be explored.

### **C. UNCTAD's contribution**

74. UNCTAD should strengthen its analytical, consensus-building and operational work on international trade, the international trading system and trade negotiations. It should continue to cooperate closely with other international organizations and foster coordination of system-wide United Nations activities in the area of trade and development.

75. UNCTAD should also:

- (a) Continuously monitor and assess the evolution of the international trading system, its development impacts and related systemic issues, and propose pragmatic policy options and responses;
- (b) Evaluate the results and implications of the outcome of the Doha Round – including the outcome with regard to agriculture, non-agricultural issues, services, rules, and special and differential treatment – from a development perspective;
- (c) Help developing countries and countries with economies in transition to establish their own negotiating priorities, negotiate trade agreements, implement the outcomes of such agreements and settle trade disputes;
- (d) Support and help build effective capacities for multilateral, regional and bilateral negotiations, including through the Joint Integrated Technical Assistance Programme (JITAP);
- (e) Strengthen assistance to countries at all stages of WTO accession and post-accession, on the basis of sustainable and predictable funding;
- (f) Promote positive coherence and interface between regional trade agreements and the multilateral trading system;
- (g) Strengthen regional cooperation mechanisms;
- (h) Work on improved utilization of such trade preferences as the Generalized System of Preferences and rules of origin; and
- (i) Address the erosion of preferences.

76. UNCTAD should assist in the formulation of national trade and trade-related policies, and in mainstreaming trade in development and poverty-reduction strategies.

77. UNCTAD should contribute to relaunching the commodity agenda. It should monitor developments and challenges in commodity markets and address links between international commodity trade and national development, particularly with regard to poverty reduction. UNCTAD should assist commodity-dependent developing countries, particularly small commodity producers, in their efforts to: develop national commodity strategies; build supply-side capacity; attain competitiveness, including through the Aid for Trade initiative; comply with standards; access commodity information and databases; provide value added; and reach global markets. UNCTAD should mobilize increased flows of development assistance to commodity-dependent developing countries and support their efforts to diversify production. It should also address the high volatility of prices, especially of agricultural products, develop commodity financing and risk management schemes (including commodity exchanges), participate in supply value chains and promote intergovernmental cooperation in the field of commodities. UNCTAD should continue to build effective multi-stakeholder partnerships with a view to identifying sustainable approaches to commodity-related problems.

78. UNCTAD should strengthen its comprehensive work on services, trade and development by:

- (a) Enhancing its analysis of developing countries' capacity to increase their participation in global services production and trade;
- (b) Organizing multi-year expert meetings;
- (c) Developing regulatory and institutional frameworks and cooperative mechanisms to support competitive service supply capacity in all sectors;
- (d) Providing support in national services assessment and policy reviews;
- (e) Examining all issues relating to the liberalization of trade in services and its development impact, including at the regional level;
- (f) Continuing its analytical work on GATS rules and domestic regulations;
- (g) Fostering recognition of qualifications and standards;
- (h) Providing support to multilateral, regional and South-South negotiations on services; and
- (i) Strengthening services data and statistics.

79. UNCTAD should conduct research and analysis on trade-related aspects of labour mobility, labour integration, the temporary movement of workers and trade in skills. It should promote consensus on policy and regulatory frameworks to enhance the benefits of labour movements.

80. UNCTAD should also:

- (a) Strengthen the participation of developing countries in dynamic and new sectors of world trade;
- (b) Conduct trade adjustment reviews of developing countries and countries with economies in transition;
- (c) Comprehensively address non-tariff barriers;
- (d) Further improve and disseminate its analytical tools, such as the Trade and Development Index, and databases and software, such as TRAINS/WITS; and

(e) Strengthen its work on the linkages between trade and the Millennium Development Goals, including poverty reduction and gender equality.

81. UNCTAD should promote and support economic cooperation among developing countries, including through the exchange of experiences and institution-building. It should upgrade its data and analytical tools on South-South trade and strengthen related technical assistance programmes. It should also bolster support for the GSTP and enhance its utilization by beneficiaries.

82. UNCTAD should conduct research and analysis on feasible alternative energy sources, including renewable energy sources, and energy efficiency measures, so as to expand capacity and diversify supply. UNCTAD's work on the oil and gas sector, as well as on renewable energy sources, should help developing countries achieve better energy mixes.

83. UNCTAD should analyse key issues at the interface of trade, the environment and development, and should promote proactive measures to deal with new stringent, complex and multidimensional environmental, health and safety requirements. It should also enhance production and export opportunities for environmentally friendly products and processes and assist developing countries in the WTO negotiations on liberalization of environmental goods and services. UNCTAD should focus attention on the trade and development impact of climate change and biodiversity issues, including through the Biotrade programme and the Biofuels initiative.

84. UNCTAD should strengthen support to developing countries and countries with economies in transition and their regional organizations to build up, implement and enforce competition and consumer protection laws and policies. It should expand voluntary peer reviews of competition policies. UNCTAD should promote international cooperation to deal with cross-border anti-competitive practices, in line with the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices and through the Intergovernmental Group of Experts on Competition Law and Policy.

85. UNCTAD should continue to analyse the development dimension of intellectual property and its trade-related aspects, including the trade-related aspects of intellectual property rights; the transfer of technology to developing countries; and the protection, preservation, sustainable use, and fair and equitable sharing of the benefits of knowledge, genetic resources and folklore.

86. UNCTAD should continue to engage in operationalizing and implementing the Aid for Trade initiative.

87. UNCTAD should continue to monitor developments and help developing countries build capacities in trade and transport facilitation, including multimodal transport.

### **III. Sub-theme 3: Enhancing the enabling environment at all levels to strengthen productive capacity, trade and investment: mobilizing resources and harnessing knowledge for development**

#### **A. Policy analysis**

88. Successful integration into international trading, production and technology networks depends both on boosting productive capacities and on



benefiting from the activities of transnational corporations (TNCs). Achieving this requires enabling policies at both the national and the international level.

89. Global inflows of foreign direct investment (FDI), including to developing countries, have increased dramatically in recent years. However, they remain uneven in terms of economic activities and host countries.

90. The rise of Southern TNCs is a relatively recent trend whose scope for addressing the needs of developing countries should be further explored. Although most FDI still originates in developed countries, South-South FDI constitutes almost half of all inward FDI in a number of LDCs.

91. In addition to capital flows, FDI can generate transfers of technology and knowledge, access to international markets and competition. Potential risks include crowding out local investments, anti-competitive practices, transfer pricing, and adverse environmental and social impacts. Countries should therefore consider both the quality and quantity of FDI. The implications of FDI for the environment and climate change also deserve attention.

92. To seize opportunities, countries need active and well-sequenced policies to maximize the development benefits of investment flows.

93. One of the challenges in relation to international investment agreements is the need to balance the interests of home countries, host countries and foreign investors. The settlement of disputes between investors and States deserves attention, and national capacities to negotiate development-friendly investment agreements need to be enhanced.

94. Intellectual property rules have significant economic, social and environmental impacts on developing countries, including LDCs. While increasing attempts are being made to harmonize standards throughout the world, intellectual property policies need to reflect the level of development of each country.

95. Domestic reforms are crucial to attracting and benefiting from FDI. They can be complemented by well-designed international rules that allow countries the flexibility to pursue their own development strategies.

96. Building productive capacities requires an enabling environment that takes into account the dynamics of different kinds of enterprises. Small and medium-sized enterprises face particular obstacles with regard to the acquisition of technical and business know-how, access to international markets, integration into global value chains and internationalization.

97. Insurance can help facilitate trade and commerce, generate employment, deepen financial markets and spread risk. Catastrophe insurance has become particularly important. However, insurance services are inadequate in many countries.

98. New demands for financial and non-financial corporate transparency also create challenges, as reporting standards and codes are formulated for highly developed capital markets. Implementation can be a further challenge. Moreover, accounting and financial reporting of environmental costs and liabilities will increasingly be required of companies in the context of addressing the challenge of climate change.

99. The “technology gap” is one of the main causes of the widening socio-economic gap between nations. Today, even the poorest countries need to harness knowledge and technology if they are to be competitive and benefit from trade. However, the current international regimes governing intellectual

property rights limit the opportunities for countries, particularly LDCs, to “learn by doing”.

100. Information and communication technologies (ICTs) are driving globalization by lifting enterprises into the knowledge economy. They also contribute to the fragmentation of global value chains. Access to low-cost ICTs, in particular telecommunications, is crucial to the development of a competitive business sector, even in traditional activities of importance to developing countries, such as tourism.

101. Trade facilitation and access to efficient transport services are essential for trade competitiveness. Infrastructure in many developing countries urgently needs to be improved, and competitive pressures are mounting as trade-supporting infrastructure and services are increasingly provided by the private sector. Developing countries also face increasing demands to comply with different requirements in respect of maritime trade security.

## **B. Policy responses**

102. Efforts at the national level to introduce reform and reduce poverty need to be supported by an enabling environment that has the full support of the international community.

103. The primary responsibility for boosting productive capacity and technological upgrading lies with countries themselves. Attracting and benefiting from FDI also needs appropriate national investment and development policies. More research is needed on the development impact of FDI and TNC activities.

104. Good governance and the rule of law at all levels can help create an environment conducive to the mobilization of resources for development. There is no one-size-fits-all solution, so countries must engage in a constructive dialogue, based on mutual respect and non-interference, on how to strengthen governance and the rule of law.

105. Home countries and TNCs can help promote development through appropriate policies. Corporate responsibility and good governance can help the business sector be a positive agent. Special attention should be paid to countries or sectors where TNCs may have a negative impact on social and human rights.

106. Further dialogue is needed on investment in basic economic and social infrastructure so as to overcome the development deficit in many countries. The priorities of developing countries should guide donor assistance, especially in countries where ODA and FDI and other external flows are needed to fill the investment gap.

107. Balance and consistency are needed in national and international FDI policies and in networks of international investment agreements.

108. Countries can learn from the mistakes and successes of others, especially in an international setting that creates a global pool of existing experiences. Regional arrangements or South-South cooperation may help countries to deal with some issues, forge consensus and establish a common bargaining position.

109. The international community can help by providing better information on national and international investment laws and regulations and on country opportunities and risks. Sovereign risk assessments should be based on objective and transparent parameters.

110. Improved partnerships with the private sector both at home and abroad can help to strengthen the integration of developing countries and local producers into global production systems. Developing internationally competitive small and medium-sized enterprises requires policies aimed at domestic entrepreneurial capabilities, business linkages and industry clusters.

111. If they are to influence emerging standards on corporate transparency and accounting, developing countries need to coordinate their efforts, share their experiences with implementation and monitor standards and codes. A harmonized and robust environmental accounting and reporting framework is needed for policies related to climate change.

112. Developing countries and countries with economies in transition need targeted international assistance to strengthen their insurance sector. Policy responses should concentrate on the establishment of competitive and well-regulated insurance markets, policy advice on WTO negotiations and training programmes.

113. To help upgrade technological capabilities, Governments should regularly assess the conditions for technology acquisition and upgrading and should implement and review their science, technology and innovation (STI) policies. Supportive institutions may include public-private partnerships and STI policies may be incorporated into national development policies and poverty reduction strategies.

114. Strategic partnerships between North and South can contribute to the sharing of knowledge, innovation and technology transfer. South-South cooperation should be strengthened, with the more advanced developing countries sharing their technological innovations. Financial or technical cooperation needs to be reinforced to address the gap in science and technology education and research in developing countries, especially LDCs.

115. The international community should seriously consider an intellectual property rights system that supports research and the creation of knowledge, as well as its use and dissemination, and that takes into account the special needs of poor countries. It is important to explore the possibilities of improving flexibilities in intellectual property rights regimes for countries at different levels of development. Consideration should also be given to other measures for encouraging technology diffusion and knowledge-sharing through open-source software systems and international partnerships.

116. Measures must be taken to narrow the digital divide and to ensure countries' full and effective participation in the knowledge-based economy. These should be supported by a fuller participation of developing countries in ICT-related international discussions, in particular those within the framework of the follow-up to the World Summit on the Information Society and the discussions in the Commission on Science and Technology for Development.

117. At the national level, ICT policies and strategies need to create an enabling environment for the domestic information economy and a competitive ICT industry. The main elements include developing the ICT infrastructure and the telecommunications sector, upgrading digital skills, implementing a legal and regulatory framework to support ICT-related business development, trade and investment, e-government and technological innovation. These actions need to be integrated in national development plans or poverty reduction strategy papers, and ICT policies need to be regularly reviewed.

118. International trade and transportation require an enabling legal framework designed to facilitate cross-border transactions. Internationally uniform laws,

rules and standards, as well as effective national implementation, are needed to bring genuine benefits to traders and help reduce transaction, administrative and legal costs.

119. Participation in the relevant international consensus-building processes is crucial to ensuring effective implementation at the national level. With the increasing involvement of the private sector, developing countries need to strengthen their capacity to monitor, regulate and facilitate the development of relevant industries.

120. Landlocked developing countries and transit developing countries need to improve their transport-related facilitation systems, infrastructure and institutional and regulatory frameworks. Policy needs to enable solutions whereby both landlocked and transit developing countries can benefit from comprehensive and practical trade and transit facilitation arrangements.

121. Measures to enhance the security of international supply chains and to address environmental concerns, particularly with regard to climate change, also have to be taken into account.

### **C. UNCTAD's contribution**

122. UNCTAD's work on investment should continue to assist developing countries, in particular smaller countries, landlocked developing countries, small island developing States and LDCs, in designing and implementing active policies to boost productive capacities and international competitiveness. Attention should be paid to the role of South-South investment and of domestic investment, both private and public. The work should have the objective of sustainable development, good governance, and a supportive investment climate in national development strategies. UNCTAD should explore ways to enhance the private sector's role and support developing countries' efforts to bring informal activities into the formal sector.

123. UNCTAD should continue to produce policy analysis on the development impact of FDI, as reflected in the *World Investment Report*. It should focus on ways to maximize the benefits and minimize the costs of FDI through appropriate host- and home-country policies. It should develop its activities in collecting and analysing data on TNC activity and relevant national and international laws and regulations, and strengthen its assistance to help LDCs formulate better policies on the basis of accurate and up-to-date information. It should step up its policy-oriented research on issues related to the interaction of FDI and domestic investment, the relationship between ODA and FDI, the impact of FDI on industrialization and entrepreneurship, and the role of FDI in services, infrastructure development and the building of export capacity and human resources. Other issues include the linkages between foreign and domestic firms and best practices to encourage quality investment flows. In addition, UNCTAD should further analyse investment from developing countries and countries with economies in transition and explore the scope for deeper South-South cooperation.

124. UNCTAD should provide a platform for an international dialogue on best practice in investment policies. An inventory of best policy practices could contribute to the transfer of policymaking know-how. UNCTAD, the Organization for Economic Cooperation and Development (OECD) and other partners should engage countries at every development level to create an institutional environment conducive to FDI and development.

125. UNCTAD should support developing countries and countries with economies in transition in formulating and implementing investment policies and should assist them with relevant legislation and regulations, in line with their development strategies. Investment policy reviews (IPRs) and their follow-up, and assistance to national investment promotion agencies, play an important role in this regard. A broader and more structural approach to the process of undertaking IPRs should be considered, under which UNCTAD would be entrusted with drafting the reviews, ensuring wider coverage of developing countries and elaborating on the development implications of FDI and the related investment framework. IPRs should be regularly updated so as to maintain the focus and follow up recommendations.

126. UNCTAD should continue to support efforts by developing and transition economies to attract and benefit from FDI through national and subnational investment promotion agencies. In UNCTAD's advisory services, in its analytical work on pragmatic tools and best practices in investment promotion, and in its capacity-building programmes (including in relation to good governance), the focus should be on issues of relevance to low-income countries. Investment guides should be produced for all landlocked developing countries that request one.

127. UNCTAD can help developing countries participate in the international debate on international investment agreements (IIAs). The emphasis should be on ensuring coherence and consistency in national and international policy. UNCTAD's work in this area should include policy analysis and capacity-building in relation to the management of investor-State disputes, alternative means of dispute settlement, the approach to investment promotion and ways to enhance the development dimension of IIAs. It should focus on the development dimension of IIAs, examine the effects of current IIAs and consider all options for future IIA strategies.

128. UNCTAD should analyse voluntary enterprise policies on corporate social responsibility and other codes of conduct with a view to identifying best practices for maximizing the development impact of TNCs. Coordination with other bodies, including OECD, the World Bank, the United Nations Industrial Development Organization (UNIDO), the United Nations Global Compact and the International Organization for Standardization (ISO) Working Group on Social Responsibility, will be important to ensure the best possible value added.

129. UNCTAD should support efforts by developing countries to harmonize their intellectual property policies with their development objectives. The mandate given to UNCTAD to engage in intellectual property issues, as set out in the Bangkok Plan of Action and the São Paulo Consensus, should be reaffirmed.

130. UNCTAD should strengthen its activities in research and analysis, technical assistance and consensus-building with regard to stimulating enterprise development and business facilitation. Measures should be identified to enable enterprises, especially small and medium-sized ones in developing countries, to comply with international standards, promote their technological and innovation capacities, access new technologies and enhance their participation in global value chains. UNCTAD should analyse the linkages between small and medium-sized enterprises and foreign affiliates in order to increase the development benefits of FDI and enhance the international competitiveness of firms from developing countries. UNCTAD should continue to support developing countries and countries with economies in transition in adopting and implementing the International Financial Reporting Standards.

131. UNCTAD should analyse and disseminate best practices with regard to the transparency, simplification and automation of government administrative procedures. It should help developing countries build their technical capacity to implement such practices. It should also promote intergovernmental consensus-building on standards and benchmarks in business facilitation.

132. Through the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, UNCTAD should help developing countries participate in the processes that set internationally recognized accounting and reporting standards and codes. Alongside development partners, UNCTAD should assist developing countries in building the technical capacity and institutions needed for the implementation of such standards and codes. It should continue to contribute to the field of environmental accounting and reporting with a view to promoting a harmonized approach among member States.

133. In the area of insurance, UNCTAD should continue to provide policy advice on prudential regulatory frameworks, competitive insurance markets, human resource development and international cooperation for catastrophe risk management.

134. UNCTAD should further strengthen its research and analysis in the area of science, technology and innovation and ICTs, and should promote the design, implementation and monitoring of international and national policies in this area. UNCTAD should help strengthen North-South and South-South cooperation in harnessing knowledge and technology for development and assist developing countries and countries with economies in transition through science, technology and innovation policy reviews and related technical assistance.

135. UNCTAD should also support international debate, including within the Commission on Science and Technology for Development, on science and technology, including ICTs, and their implications for development, and should assist developing countries in accessing technological innovations. UNCTAD should continue to help developing countries to participate effectively in international discussions on technology transfer and knowledge-sharing and to identify policy options and best practice in this area.

136. UNCTAD should continue to provide technical assistance to countries on ICT policy reviews, pro-poor ICT policies, legal and regulatory frameworks, and the development of the information economy, including through the Partnership on Measuring ICT for Development launched at UNCTAD XI. It should continue to expand its work on the measurement of the information economy and its related capacity-building activities in developing countries.

137. In its capacity as secretariat to the Commission on Science and Technology for Development, UNCTAD should pursue its role in the follow-up to and implementation of the outcomes of the World Summit on the Information Society.

138. Given the importance of capacity-building in this field, the UNCTAD e-Tourism initiative, launched at UNCTAD XI, should continue to promote the contribution of tourism to development. UNCTAD should also continue to develop synergies between its research and capacity-building activities through such programmes as the Virtual Institute and TrainForTrade.

139. In the area of trade facilitation, transport and related services of interest to developing countries, UNCTAD should continue to monitor and analyse developments and to promote the exchange of experiences. It should also

disseminate relevant information, including on the legal and regulatory developments that affect the trade and transport of developing countries and international supply-chain security.

140. UNCTAD should undertake research to develop policy recommendations that will enable developing countries to cut transport costs and improve transport connectivity. The research should pay special attention to the needs of the most vulnerable economies, and in particular to the development and implementation of coherent transit systems that will benefit landlocked developing countries and transit developing countries. Attention should also be paid to the promotion of multimodal transport.

141. UNCTAD should continue to provide capacity-building and technical assistance to policymakers and traders in developing countries on such issues as reducing transport costs and improving transport connectivity, developing and implementing appropriate institutional and legal frameworks, and devising and implementing national and international actions to promote transport and trade facilitation, including in transit corridors. It should coordinate this work with other relevant organizations where appropriate. It should continue to assist developing countries in transport and trade facilitation negotiations, including in the context of the Doha Round, and in ensuring the beneficial implementation of agreed rules and standards.

142. In addition to helping Governments design and implement suitable policies, UNCTAD should contribute to the efficiency of trade transactions through managerial assistance to providers of transport services. It should also continue to cooperate with member States in implementing ASYCUDA, the automated system for customs data.

143. Through its research and analysis, UNCTAD should help developing countries make informed policy choices to address the challenges posed by climate change in relation to transport strategies, and to help identify associated capacity-building needs and appropriate regulatory responses.

#### **IV. Sub-theme 4: Strengthening UNCTAD: enhancing its development role, impact and institutional effectiveness**

144. UNCTAD is the focal point within the United Nations on trade and development and the interrelated issues of finance, investment, technology and sustainable development. For over 40 years, it has consistently addressed the concerns of all developing countries in the international economic and trading systems. In the context of deepening interdependence between all countries, this unique orientation of the organization will continue, providing a vision on strategic and systemic trade and development issues.

145. In order for UNCTAD to be able to provide effective support with respect to both new issues and long-standing problems at the interface between trade, development and globalization, institutional reform is needed. Such reform is an ongoing process. No modern institution can achieve its goals effectively without adapting its working methods and structures to changing needs.

146. Since UNCTAD XI, discussions on strengthening the organization have involved a number of processes, namely the mid-term review conducted by the Trade and Development Board in 2006, the work of the panel of eminent persons established by the Secretary-General of UNCTAD in 2005, and the preparations for UNCTAD XII. Efforts to strengthen UNCTAD's role are also

being made within the context of United Nations reform. UNCTAD should fully engage in the United Nations reform processes, particularly concerning United Nations system-wide coherence. Development will remain a core preoccupation in the ongoing reforms in the United Nations, and UNCTAD will have a distinct role to play in carrying forward the development mission of the United Nations.

147. The three pillars of UNCTAD's work – research and analysis, consensus-building and technical cooperation – form an organic whole. The interaction between them should be reinforced so that UNCTAD can consolidate its position as an organization that conducts ahead-of-the-curve research and policy analysis, translates them into global consensus through its intergovernmental machinery, and supports action-oriented capacity-building and trade-related technical assistance. To ensure synergy among its three pillars, UNCTAD should strengthen its central coordination mechanism.

148. These three pillars should contribute directly to the follow-up to the outcomes of the major United Nations conferences and summits, as well as to the accomplishment of internationally agreed development goals, including the Millennium Development Goals.

149. UNCTAD should actively pursue stronger cooperation with other parts of the United Nations system and other international organizations. Cooperation should be based on a clearer division of labour, and duplication should be avoided by all organizations. UNCTAD should also cooperate closely with appropriate regional organizations, civil society and the private sector.

## **A. Research and analysis**

150. UNCTAD's research and analysis is the backbone of its work. It should focus on the main trade and development challenges that developing countries and countries with economies in transition face in pursuing internationally agreed development goals. It should in particular help countries to use trade and investment as an engine for economic growth and poverty reduction. It should encompass issues at the national, regional and international levels, as well as systemic issues affecting development, and it should also take up new and emerging issues.

151. UNCTAD's research and analysis should be policy-oriented and should put forward practical and innovative policy recommendations based on empirical research and analysis of best international and national practices. It should take account of country experiences and place greater emphasis on regional and national case studies and country-specific policy reviews in the areas of investment, trade and commodities, and science and technology.

152. UNCTAD's research and analysis should integrate inputs from think tanks and academia. It should promote creative partnerships with other United Nations entities and international organizations, enhancing synergies consistent with each organization's mandate. It should feature multi-stakeholder consultations involving civil society and the academic community.

153. UNCTAD must develop a more effective publications policy to strengthen its flagship research products and major study series while limiting the number of marginal publications. It must also develop an effective dissemination and communication strategy that targets a wider audience, including high-level policymakers, academic and research institutions and civil society entities in developing countries. There should be greater use of electronic tools and the UNCTAD website, and an emphasis on producing timely translations.



Publications should be disseminated in partnership with national and regional organizations.

154. UNCTAD should increase its impact by developing a capacity to respond rapidly to emerging issues. It could then help member States to deal more effectively with challenges such as global economic imbalances, financial crises and the trade and developmental aspects of post-conflict and post-disaster reconstruction and recovery. Moreover, UNCTAD could, upon request, make presentations to incoming governments on trade, investment and technology issues immediately after a change of government.

155. Further strengthening UNCTAD's research and analysis will require more effective use of resources. This can be achieved by deepening the research commitment within each programme element, intensifying interdivisional collaboration on cross-cutting issues, making greater use of interdivisional task forces, intensifying research collaboration with other parts of the United Nations system and with research bodies throughout the world, and using increased extrabudgetary resources for research and analysis, especially with regard to new and emerging issues, with the possibility of establishing a system of resident scholars.

## **B. Consensus-building**

156. The consensus-building pillar of UNCTAD's work is of fundamental importance. It should help equip developing countries with realistic policy choices to enable them to maximize the opportunities and deal with the risks of globalization and economic integration. It should make constructive suggestions on how the international community can achieve the orderly evolution of an enabling international economic and trading system. The intergovernmental character of UNCTAD must be preserved, and the coherence between the different levels of the intergovernmental process must be enhanced.

157. Outcomes of intergovernmental meetings should be more action-oriented and should include policy options at the national, regional and global levels, as well as pragmatic solutions to development problems (inventories of best practices, checklists, indicative guidelines, sets of criteria/principles, and model frameworks). To provide clear messages to developing countries and the international community, policy recommendations should be concise and the appropriate follow-up on implementation should be ensured. Prolonged discussion of draft outcomes should be avoided.

158. There should be greater participation of non-State actors, including the private sector, in UNCTAD's intergovernmental meetings, in accordance with the established rules of procedure and as prescribed in the São Paulo Consensus.

### **1. Trade and Development Board**

159. The Board's agenda should be varied and topical, taking into account the core mandate of UNCTAD and the interests and concerns of the entire membership.

160. The Board should make a greater contribution to the work of the General Assembly in the main areas of UNCTAD's mandate.

161. In this connection, the invitation of the President of the Trade and Development Board to participate in high-level meetings of the major

international economic institutions, including those of the Bretton Woods institutions and the World Trade Organization, is important.

162. An annual meeting of the global network of think tanks should be held in conjunction with the regular session of the Board in the form of a multi-stakeholder dialogue that does not replace the high-level segment. There should be no duplication with existing international forums.

## **2. Commissions**

163. The existing Commission on Enterprise, Business Facilitation and Development will be replaced by a commission on globalization and systemic issues. The cross-cutting issues of the work of the Commission on Enterprise, Business Facilitation and Development will be distributed among the commissions. The three commissions will thus be as follows:

- (a) The Commission on Trade in Goods and Services, and Commodities, which will retain its existing mandate and also assume responsibility for transport and trade logistics issues: the Intergovernmental Group of Experts on Competition Law and Policy will report to it;
- (b) The Commission on Investment, Technology and Related Financial Issues, which will retain its existing mandate and also assume responsibility for enterprise and ICT issues;
- (c) The Commission on Globalization and Systemic Issues, whose mandate will be as follows:
  - (i) Provide a forum for consensus-building on economic policy measures at the national, regional and international levels that help to address the challenges of globalization;
  - (ii) Examine systemic issues of particular importance to developing countries and measures to ensure full and effective participation of developing countries in global economic decision-making;
  - (iii) Review UNCTAD's contribution to the implementation of the outcomes of the major United Nations conferences and summits;
  - (iv) Examine the impact of globalization on the implementation of internationally agreed development goals, including the Millennium Development Goals; and
  - (v) Identify emerging issues that have an impact on the development prospects of developing countries.

164. The work of the commissions will be action-oriented. In deciding on the agenda items for their next session, the commissions will indicate the documentation to be provided by the secretariat and the expected outcome on each item.

## **3. Expert meetings**

165. The commissions will continue to convene expert meetings. They may convene single-session expert meetings, as in the past, but they may also choose to convene standing expert groups which can meet for up to four years, though not beyond the quadrennial session of the Conference following their establishment. As with expert meetings, standing expert groups will comprise experts designated by member States but serving in their personal capacity. Both

expert meetings and standing expert groups will contribute to policy formulation by generating pragmatic and actionable outcomes. When deciding on topics for expert meetings or standing expert groups, the commissions will indicate the expected outcome in each case.

166. The Commission on Investment, Technology and Related Financial Issues should consider the possibility of convening a standing expert group on international investment agreements.

167. Funding for the participation of experts from developing countries and countries with economies in transition must be sustainable and predictable. This will be particularly important in the case of standing expert groups, since the continuity of the work will depend on continuity of funding. Funding will come from the trust fund that exists for this purpose, and the Secretary-General of UNCTAD is requested to make a renewed, sustained effort to attract contributions to the fund on a priority basis.

### **C. Technical cooperation**

168. UNCTAD's technical cooperation should be planned and implemented in a geographically balanced manner, delivering tangible results and global public goods at the interregional, regional and national levels to the benefit of all developing countries. Regional delivery of technical assistance activities should be maximized in order to benefit from pooled resources. Local and regional expertise and material resources should be used to the maximum to enhance the institutional capacity of recipient countries and the sustainability of benefits.

169. Efforts should be pursued to improve the management, evaluation and reporting of all technical assistance activities. Monitoring of technical cooperation and fund-raising should also be further improved. The decision taken by the Trade and Development Board at its fifty-fourth session on the establishment of thematic trust funds and multi-year contributions should be implemented to ensure greater predictability, more transparency and more coherence. The potential benefits of joint fund-raising by UNCTAD staff and representatives of assistance-requesting countries should be explored. There should be more cross-divisional cooperation in order to reflect the systemic perspective in the design and implementation of technical assistance activities.

170. UNCTAD technical assistance activities need to be demand-driven and embrace country ownership, in accordance with the principles of the partnership commitments of the Paris Declaration on Aid Effectiveness. UNCTAD's trade-related activities should support the principles laid down in the Integrated Framework for Trade-related Assistance to Least Developed Countries, including country ownership and donor coordination. UNCTAD should continue to follow the further evolution of the Enhanced Integrated Framework and similar schemes for needs assessment and donor coordination.

171. One of the key aims of the current United Nations reform proposal is to improve the ways in which United Nations agencies operate at the national level. UNCTAD should reinforce its operational links with other United Nations organizations, particularly those operating at country level. The Conference welcomes the creation by the United Nations System Chief Executive Board for Coordination of the inter-agency thematic cluster on trade and productive sectors, the purpose of which is to allow organizations to increase their impact at the country level within the "Delivering as One" process. UNCTAD should also

work closely with the relevant donor agencies to streamline the identification of needs and the approach to addressing them.

172. The Aid for Trade agenda includes technical assistance to build capacity to formulate locally owned trade policies, participate in trade negotiations, implement trade agreements, build supply-side capacities and offset adjustment costs. UNCTAD can provide technical cooperation at each stage of the trading process, from investment, enterprise development and financing, through customs operation and transport, to market access and market entry. Due attention should be paid to channelling Aid for Trade multilaterally. UNCTAD, working in cooperation with other organizations, notably the members of the trade and productive sectors cluster, should play a leading role in this respect.

173. UNCTAD must greatly improve its technical cooperation outreach. Its technical cooperation capacity must be brought to the attention of potential recipients much more effectively, and its funding needs must be brought to the attention of potential donors in a much more coherent way. Developing countries should make their needs known to the secretariat, and donors are urged to substantially increase their contributions to UNCTAD technical assistance funds.

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