



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD E-News

Issue N°12 - March-May 2005



Supachai Panitchpakdi appointed UNCTAD Secretary-General



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The UN General Assembly has confirmed the appointment of Supachai Panitchpakdi of Thailand as Secretary-General of UNCTAD for a four-year term starting 1 September 2005.

Dr. Supachai, current Director General of the World Trade Organization, served as President of UNCTAD's 10th ministerial conference (Bangkok, Thailand, 2000).

Before being appointed Deputy Prime Minister in 1992, and again in 1997, Dr. Supachai worked in both the public and the private sectors in Thailand. A strong supporter of free trade, he represented Thailand at the signing of the Uruguay Round Agreement in Marrakesh in 1994.

Dr. Supachai holds a PhD in development economics from Rotterdam's Erasmus University that he prepared under the supervision of Nobel Prizewinner Jan Tinbergen.

Since the departure of Brazilian Secretary-General Rubens Ricupero on 14 September 2004, UNCTAD has been run by the Officer-in-Charge, Carlos Fortin from Chile.



MDGs, Development Strategies and UNCTAD

Interview with Charles Gore, principal author of UNCTAD's Least Developed Countries Report and member of the Millennium Project's Expert Group



Mr. Charles Gore

Q.1. The Millennium Development Goals (MDGs) are different from the global goals set for the First and Second UN Development Decades. Do you think this is a positive change?

The [MDGs](#) are different from the goals of the First and Second UN Development Decades in two ways. Firstly, human well-being rather than national economic growth is the key objective. Secondly, whereas the key goal in the 1960s and 1970s was for developing countries to catch up with richer countries, the main aim now is to achieve minimum standards of decent living.

Whether this change is positive will depend on the policies adopted to achieve the MDGs. The emphasis on human well-being makes sense in terms of values. But there is no way that the MDGs will be achieved if economic growth is left out of the picture. Moreover I am doubtful they can be achieved without continued attention being given to global inequality. Recent statistics show that the richest 20% of the world population receive 73% of world income and the poorest 40% receive only 5%. Is sustained poverty reduction and human development possible in such an unequal world?

The adoption of the MDGs as moral minima - a global social floor - has resulted in a new international development consensus, in rhetoric at least. But it must be recognized that, with globalization, individual expectations are rising all over the world to the standards of living in rich countries. The poverty line in OECD countries has been estimated as \$15/day (adjusted for cost-of-living differences), not \$1/day, the average poverty line in the least developed countries (LDCs).

Are we saying then that there is one standard of poverty for rich countries and another much lower one for the developing countries? This is ethically indefensible. But, of course, it does not mean that we should abandon the MDGs. Rather it implies that they should properly be seen as a starting-point for change.

Q.2. In order to achieve the MDGs, is it necessary to have new national development strategies?

The answer to this is a resounding YES. The disappointing outcomes of 25 years of economic reforms are widely acknowledged. But the key question now is: what are the alternative development strategies?

With regard to the MDGs, two major development strategies are being proposed. The first is that of the World Bank in its [Global Monitoring Report](#) 2004 and 2005 (GMR). The second is that of the UN Millennium Project, in [Investing in Development: A Practical Plan to Achieve the MDGs](#) (UNMP). There are certainly some overlaps between the two. But there are also major differences.



The UNMP argues that achieving the MDGs depends critically on breaking the country-level poverty traps in which the poorest countries, particularly African countries, are enmeshed. This requires a massive scale-up of public investment directed at human development, physical environment and economic infrastructure. It is assumed that the achievement of the Millennium human development goals will foster sufficient economic growth to meet the Millennium poverty reduction goal.

GMR (2005), in contrast, rejects the idea that there are country-level poverty traps and focuses more fully on measures to promote economic growth. This is to be achieved by accelerating and deepening economic reforms and improving the investment climate. These measures should be complemented by improvements in the delivery of services affecting human development.

Both of these alternatives have some positive elements but neither provides the whole story. I would argue that the GMR is right to emphasize economic growth. But I do not think that the GMR policy package - which is essentially an augmented version of the old [*Washington Consensus*](#) - will promote accelerated, sustained and inclusive economic growth. This is particularly unlikely in the poorest countries where export-led growth strategies are creating enclaves of dynamism. These enclaves are not linked with low-productivity agriculture and informal activities, sectors where the majority earn their livelihood and struggle to survive. But I also do not believe that the GMR policies can adequately address the problem of within-country poverty traps in middle-income countries and fast-growing low-income countries. The fate of social groups and regions left behind in these countries must also be part of strategies to achieve the MDGs.

Much more attention should be given to developing productive capacity in order to generate sustainable employment. We are seeking to address this issue in the next Least Developed Countries Report, which will be published in 2006.

Both the GMR and the UNMP emphasize the need for an "MDG-based" development (or poverty reduction) strategy. This is an important concept. Strategies to reduce poverty and achieve human development goals through the development of productive capacity should have a good balance between social sector and production sector investment. This implies that the notion of "MDG-based" investments (and aid) must be defined flexibly to include various forms of productive development.

Q.3. How does trade fit into development strategies to support the achievement of the MDGs?

Trade is vital to achieving the MDGs. It must be fully integrated into development and poverty reduction strategies. Just as in its early days UNCTAD worked out the trade implications of the goals of the First and Second UN Development Decades, we must now work out the export and import implications of achieving the MDGs.

Let's take, for instance, the new investment required to meet the MDGs. The UN Millennium Project has estimated that 20-25% of the increased investment will be spent on imports. Achieving the MDGs will thus have major implications for the trade balance. The situation will not be sustainable unless aid is increasingly in the form of grants, or there is a process of productive development, which increases export dynamism and/or reduces the import intensity of development.

The LDC Report 2004 elaborated a methodology to mainstream trade into national poverty reduction strategies. Such mainstreaming should be supported with a massive scale-up in "aid for trade". But trade development should be undertaken as part of a broad approach to developing production capacity and the private sector.



Q.4. What do you consider to be the key elements in developing a global partnership for development?

The UNMP is calling for the achievement of the aid target of 0.7 % of donor countries' GNP by 2015, whilst the GMR is calling for the doubling of aid in the next 5 years. Whether or not these calls will be heeded is a key test of the reality of the new development consensus. But I would stress that increased attention also needs to be urgently given to improving the quality of aid. In the LDC Reports, we have been arguing since 2000 that there is a need for aid monitoring at the recipient country level. This would be a powerful tool to improve aid effectiveness within countries.

Developing countries, as part of their efforts to improve economic governance, need to focus on improving government procurement processes. But donors must provide aid in a way which enables, rather than constrains, the rebuilding and exercise of development-state capacity. At the moment, the aim seems to be to build welfare-state capacity in developing countries. Improvements in the international trade regime are also important. This is well-covered ground but I still do not think we have a clear idea of what is necessary to make the Doha Round developmental. I also believe it is necessary to look at trade issues beyond multilateral trade liberalization. As shown in the [LDC Report 2002](#), there is a close association between the incidence of extreme poverty and primary commodity dependence. But the commodity issue is still not being adequately addressed in the context of MDG achievement in spite of the likely high pay-off.

Finally, the fact that the Enhanced HIPC Initiative has not provided the durable exit from the debt overhang for many low-income countries is now fortunately widely recognized. But the problem festers on. Moreover, financial crises and economic instability in middle-income countries seem to be off the radar screen in terms of their significance for the MDG process.

Q.5 Does UNCTAD have a role to play in this process?

UNCTAD certainly has an important role to play. With regard to policy analysis and research, which is my own focus, UNCTAD has generated pragmatic but critical, evidence-based thinking on a range of development strategy issues. Achieving the MDGs requires open enquiry and increased dialogue on practical alternatives, and this is facilitated by such work. The challenge for us is to reach out to policy makers, in North and South, to get the UNCTAD voice heard.

Commission on Investment, Technology and Related Financial Issues

Jeffrey Sachs calls for greater investment in infrastructure

In a speech to the Commission, Jeffrey Sachs, Special Adviser to the UN Secretary-General on the Implementation of the Millennium Development Goals (MDGs), stressed the importance for developing countries to invest in infrastructure if they are to achieve the MDGs by 2015. "What we are calling for is support for investment in basic infrastructure", said Sachs, "so that rather than focusing merely on access to rich country markets, we also focus on the supply side of the potential export sectors of the low-income countries."

Investment funding, noted Sachs, should come from an increase in official development assistance - "the long promised delivery of 0.7% of GNP as opposed to the current delivery of 0.25%."



One of the main outcomes of the Commission was a proposal for a more efficient dispute settlement system in the area of international investment agreements. First, countries should seek to avoid investment disputes and, second, amicable settlement clauses should be introduced into the agreements. In both cases UNCTAD has a role to play, whether it be training negotiators or bringing together investment experts and negotiators.

A highlight of the meeting was the [Blue Book Initiative](#) for Africa, launched jointly by UNCTAD and the Japanese Bank for International Cooperation (JBIC). The Blue Books, to be prepared for Kenya, Tanzania and Uganda, will propose a set of 10 measures to improve the domestic investment climate that can be implemented within 12 months.

In a special session, the Egyptian Minister of Investment, Mahmood Moheldin, outlined his country's initiatives since UNCTAD's [Investment Policy Review](#) (IPR) in 1998. [Measures](#) range from changes within the Customs administration to new labour laws. Participants called for a systematic follow-up of this kind in all countries where IPRs have been carried out.

The theme of the annual meeting of the [World Association of Investment Promotion Agencies](#) (WAIPA), held in parallel with the Commission, was investment in services. One of the aims of the meeting - attended by 250 participants - was to exchange experiences on best practices in attracting investment and benefiting more from it. Topics for this year's expert meetings are "Positive Contributions to the Economic and Social Development of Host Developing Countries" (31 October - 2 November) and "Capacity Building in the Area of FDI: Data Compilation and Policy Formulation in Developing Countries" (12 - 14 December).

More information on the Commission is available on the [UNCTAD website](#).

Trade Commission addresses market access and commodity issues

Commodities and market access for developing countries were among the issues discussed during the ninth session of the UNCTAD Commission on Trade in Goods and Services and Commodities held in Geneva on 14-18 March 2005.

To help the commodity sector to develop and diversify, UNCTAD is creating a special task force to encourage the participation of developing country farmers in international markets and examine ways of generating greater profits. This International Task Force on Commodities - first announced at [UNCTAD XI](#) - will be composed of member States, international organizations and study groups, as well as NGOs and academics dealing with commodity issues.

At the meeting, UNCTAD was asked to evaluate the impact of market access, market entry and competitiveness on developing country exports and to examine the effects of non-tariff barriers. The secretariat will continue to support South-South trade initiatives, including the [Global System of Trade Preferences](#) (GSTP).

New and dynamic sectors of world trade, such as renewable energy products, textiles and clothing and the outsourcing of services, were given special consideration. Many developing countries, with their low labour costs, natural endowments and, in some cases, know-how, have a clear advantage in those sectors. If developed and exploited properly, they could provide opportunities for greater diversification and increased exports.



The importance of the environment was not forgotten. UNCTAD will continue to explore trade opportunities for environmentally preferable products and ways of strengthening the link between trade, the environment and development.

During the Commission, a number of export-import banks (Eximbanks) and development finance institutions (DFIs) signed a Memorandum of Understanding with UNCTAD to establish a Global Network of Eximbanks and DFIs.

A special session was devoted to trade and the [Millennium Development Goals](#) (MDGs). Participants stressed that an MDG-friendly international trading system should put development first and give developing countries the flexibility to adopt policies in line with their needs. Nor is full and fair access to international markets enough. What they need is external aid to build up their infrastructure and capacity to facilitate access to these markets.

Themes for the 2005 Expert Meetings will be non-tariff barriers, distribution services and the new and dynamic sectors of world trade.

More information on the Commission is available on the [UNCTAD website](#).

Italy pledges \$500,000 for science and technology project

The Italian government pledged \$500,000 for the creation of a science and technology network project in developing countries to provide training for scientists and engineers and thereby reverse the negative impact of the brain drain. Participants will include science and technology institutions that are known for their R&D work and already possess adequate infrastructure. The Government of Pakistan has offered to finance 20 fellowships for the network.

The pledge was made during the eighth session of the UN Commission on Science and Technology for Development (CSTD) meeting in Geneva from 23 to 27 May.

This year's Commission meeting focussed on how to achieve the [Millennium Development Goals](#) (MDGs) through more efficient applications of science and technology. Recommendations included promoting science education - especially for women - and encouraging the creation and development of innovative enterprises. The importance of including an R&D component in all FDI projects was also highlighted.

Austria and the Canton of Geneva pledged funding for ICT projects related to the Commission's work.

UNCTAD is the main body within the UN system for technology-related issues and services the annual Commission meetings. The outcome of the meeting will serve as an input to the UN Summit on progress made towards the MDGs to be held in New York in September 2005.

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E-tourism initiative takes off

Tourism employs 200 million people and generates 11% of world GDP. It is the main export of 37 of the 50 least developed countries (LDCs). But at the same time, most of the profits - as much as 85% in African LDCs - leave the country.

The UNCTAD initiative aims at helping LDCs control their own tourism industry and reduce profit repatriation by introducing electronic applications. By constructing their own brand images and promoting their own tourist attractions, countries can adjust their tourism services to suit their own development strategies.

The first step is to create a reliable e-commerce marketplace. Tourism service providers will be identified and included in an electronic network. New products will be developed and existing ones improved.

The initiative is based on a partnership model with national governments and service providers.

Visit
etourism.unctad.org
for more information.
Currently available in
English, links for other
languages will be
available soon.

GMOs - a look at trade issues

Genetically modified organisms (GMOs) have been a contentious issue for many years. The total agricultural area devoted to GM crops has increased 47-fold since 1996. The United States accounts for 59% of the total 81 million hectares now used, Argentina 20%, Canada and Brazil 6% each, China 5%, Paraguay 2%, and India and South Africa 1% each. In all, 17 countries were growing GM crops in 2004.

A number of developing countries have remained 'GM-free' in order to serve European markets and avoid possible trade losses. Some African countries, including Angola, Ethiopia, Sudan and Zimbabwe, have imposed import bans on most genetically modified products.

In its recent study, *International Trade in GMOs and GM Products: National and Multilateral Legal Frameworks*, UNCTAD provides a critical analysis of the issues while examining the two main multilateral frameworks that concern GMOs: the World Trade Organization (WTO) and the Cartagena Protocol on Biosafety. The report's main aim is to promote awareness in developing countries. It urges national and multilateral frameworks to strike the right balance between the good and bad aspects of the GMO issue. Developing countries should, for instance, examine the GMO issue in the context of WTO rules and the Cartagena protocol, which are not always consistent, so as to avoid legal complications and future trade disputes.

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Civil society consultations

Representatives of civil society organizations (CSOs) attended a one-day meeting with UNCTAD officials to discuss major economic development and trade issues. The agenda covered a variety of topics, ranging from investment and technology transfer to the liberalization of services and agriculture.

One of the outcomes of the meeting was the CSO suggestion to develop a treaty on access to knowledge, specifically in the field of innovation and technology transfer. Although UNCTAD would not be directly involved, CSOs said they would keep the secretariat informed regularly on the progress of their work.

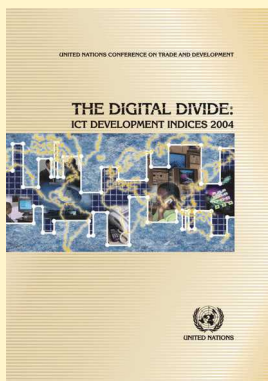


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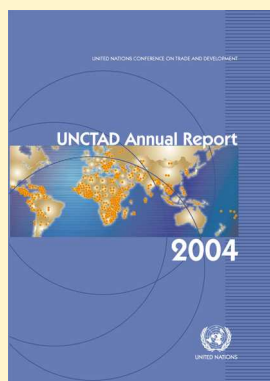
CSOs offered to cooperate with UNCTAD in the area of competition law and consumer policy, areas where UNCTAD has considerable expertise. In particular, CSOs stressed the need to place consumer concerns at the centre of the international trade debate, which is not the case today

The meeting, held on 20 May, was one of a series of encounters with civil society to involve them further in UNCTAD's work. The encounters intend to promote open discussion and frank exchanges on issues of concern to both UNCTAD and civil society.

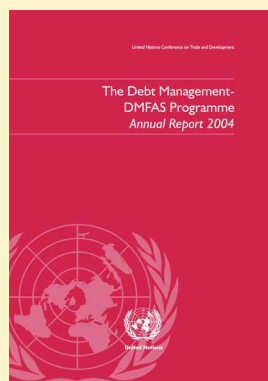
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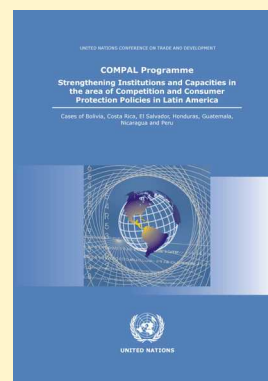
The Digital Divide



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