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**PROMOTING GROWTH AND SUSTAINABLE DEVELOPMENT IN  
A GLOBALIZING AND LIBERALIZING WORLD ECONOMY**

Pre-conference text \*/

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\*/ At the 873rd (closing) meeting of its twelfth executive session, on 29 March 1996, the Trade and Development Board took note of the pre-Conference text circulated in TD/B/EX(12)/CRP.4/Rev.2 and decided to submit the text as an official document of the ninth session of the Conference, to serve as a basis for negotiations on item 8 of the Conference agenda.

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## I. INTRODUCTION

1. [For the first time since early this century,] ideological divisions have been largely overcome and convergence is increasingly taking place around [a single], market-oriented [philosophy] [approaches] of growth and economic [and social] [sustainable] development [growth in the context of sustainable development]. At the same time, the powerful forces of globalization and liberalization are reshaping the conduct of business and trade worldwide, providing opportunities and challenges for policy-makers in equal measure. In this recent period, some of the most [populous] developing countries in the world, have [each] recorded rates of economic growth that, if sustained in the years ahead, will significantly change, in the first decades of the next century, the relative weight and participation of developing countries in global output and world trade. Yet, in contrast, [more than] five years after the [Paris Declaration and the] launching of the [Programme of Action] [Special Action Programme] for LDCs [for the 1990s], despite a few successes, [the number of countries in that category has increased from 42 to 48] [the LDCs have not made significant economic progress]. Clearly, therefore, while significant opportunities for growth and development exist, many developing countries are unable to seize them.

[NEW In this recent period, a striking number of developing economies have undertaken difficult economic reforms, successfully participated in the global economy, and enjoyed periods of rapid growth. Others are still struggling to find the resources and the will to undertake such change and investments. The international community can play a powerful and positive role by acknowledging the difficulties of such transitions - which are often hardest for the poor -and helping to provide assistance (both financial and technical) and multilateral frameworks which bring developing economies into the global economy, and which conserve global resources. Inexorably, national economies are becoming more interdependent, and the consequences must be dealt with productively. The central challenge for the international community today is to cooperate to help position nations and their people not only to adjust to this change, but to actively benefit from, and contribute to, the new opportunities it creates.]

[NEW 1. Liberalization and globalization are powerful economic forces of the world today which are reshaping the conduct of business and trade and presenting new opportunities and challenges for all countries. The challenge is particularly strong for developing countries which are relatively weak players in this process, and the weakest among them face the risk of marginalisation. Although a large number of developing countries have undertaken economic reforms and structural adjustment, there has been decline and stagnation in many of them. Per capita incomes have declined in the least developed countries (LDCs) in

recent years, and their number has gone up from 36 in 1981 to 48 at present. The ability of developing countries in particular and the international community in general to adapt themselves to and utilize these forces to address the question of development is one of the most important issues before policy-makers.]

[1 bis. The Conference reaffirms that UNCTAD should continue to be the focal point within the United Nations for the integrated treatment of development and interrelated issues in the areas of trade, finance, technology, investment, services and sustainable development. UNCTAD should provide a forum for policy dialogue and consensus-building on issues of interest to developing countries with a view to contributing to global economic policy formulations and offering suggestions and ideas to promote development. It is reaffirmed that UNCTAD's central role must continue to be that of a universal forum for intergovernmental deliberations and negotiations, confidence and consensus-building, policy formulation, offering of alternative paths to development, monitoring of implementation and follow-up, and technical cooperation. Consensus-building, however, should not be at the expense of development needs and objectives of developing countries.]

2. At Cartagena in 1992, UNCTAD VIII [shifted the accent to the] [decided to establish] the new notion of partnership and cooperation for development. Partnership was made possible not so much on the basis of a conceptual platform - some blueprint or programme of action adopted by Governments to restructure economic relations - but rather in response to the exigencies imposed by a complex and emerging reality. [In Cartagena there was also convergence in recognizing the importance of democracy and of human rights observance, not only as moral imperatives but also as important factors for development (Cart. para. 21). Since then, the problematique of development has been enriched by the contribution of the United Nations Conferences on environment, population, social development and women, which have indicated the challenges for the future and the responsibilities of the international community.] [The persistence of extreme poverty and growing inequality, together with the [proliferating] risks of marginalization and environmental destruction, have rendered [render international cooperation a sine qua non for meeting the challenge of globalization]. In this context, the mandate given to UNCTAD by resolution 1995 (XIX) of the United Nations General Assembly and strengthened by the Cartagena Commitment remains [perfectly] valid; it is also sufficiently flexible and comprehensive to enable UNCTAD to adapt itself to the new characteristics of the development imperative.

[2 bis. Sustainable development remains the predominant concern of the international community, especially in view of the challenge offered by globalization and liberalization. The need to eradicate poverty and reduce the widening disparities in living standards in the world economy remain at the forefront of the priorities of the international community.]

3. From Cartagena onwards, the pace of globalization has accelerated, [and the range of liberalization has expanded.] [The conclusion of the Uruguay Round, and the creation of the World Trade Organization (WTO), have set the scene for a more dynamic economic climate through a more open and predictable multilateral trading system. However, much remains to be done to [allow] [enable] all partners, [especially the least developed,], to receive the benefits from this new environment. [WTO and UNCTAD have distinct and complementary roles to play. [The WTO is responsible for the management and monitoring of the multilateral trade rules and dispute settlement, and a forum for trade negotiations and rule-making. UNCTAD's role encompasses dealing with wider development issues, analysis, consensus-building, dissemination of information and providing technical assistance to developing countries.]]] [Many developing countries have been able to react to this new context and have obtained positive economic results. This positive outcome has highlighted the progressive differentiation among developing countries.] [The WTO is responsible for overseeing implementation of its agreements, houses a mechanism for resolving disputes related to them, and is a forum for discussion and further rule-making on trade issues. UNCTAD deals with trade and development issues, analysis, consensus-building, dissemination of information and providing technical assistance to developing countries.]

*[A Group suggested that the first three sentences of paragraph 3 be included as a new paragraph preceding paragraph 7 and that the last three sentences be moved to the section starting with paragraph 22.]*

[3 bis. The globalization of the economy has led to growing interaction between economic policies, including their structural, macroeconomic, trade, monetary and financial aspects. It is primarily for Governments to harmonize these policies by acting at the national level, but their coherence at the international level has an important role to play in enhancing their effectiveness. Because of the lack of coherence between the various aspects of economic policies at the global level, there is a danger that the positive effects of globalization may be reduced. It is therefore essential to coordinate global economic policies, with the full participation of the developing countries. UNCTAD, whose mandate essentially concerns development, can make a valuable contribution in this connection, in the context of its debate on interdependence. Moreover, the development of its cooperation with the competent

international organizations in the trade, monetary and financial spheres is necessary to achieve greater coherence in the formulation of economic policies at the global level.]

[New 3. The work done by UNCTAD and the WTO is complementary and should be based on constructive and effective cooperation. In this context, UNCTAD should continue its important role in the analysis of international trade trends and their relation to development, identify the possible areas of future trade negotiations, and promote consensus-building, as well as support the developing countries in these negotiations. For its part, the WTO is in charge of the negotiation, implementation and follow up of multilateral trade agreements and regulations.]

[3 bis. The conclusions of the Uruguay Round and the creation of the World Trade Organization (WTO) have set the scene for a more dynamic climate through a more open and predictable multilateral trading system. This will allow developing countries, especially the least developed, to utilise the opportunities arising from this new environment and to fully integrate in world trade. WTO and UNCTAD have distinct and complementary roles to play. The WTO is responsible for the management and monitoring of the multilateral trade rules and dispute settlement, and the forum for trade negotiations and rule-making. UNCTAD's role encompasses dealing with wider development issues, analysis, consensus-building, dissemination of information and providing, in cooperation with ITC, technical assistance to developing countries.]

4. The task of promoting [trade and] [sustainable] development is a complex one [which will not be served by one-sided explanations and divisive recipes: [it] needs to be based on the acknowledgment that economic development, social development, and [environmental protection] are interdependent and mutually reinforcing components of sustainable development. [The work of UNCTAD should continue to be based on the recognition that [the market and private] private initiative [are] [is an] important dynamic agents of an expanding economy, without losing sight of the determining [influence of good governance and [an [reduced but] [efficient role of the State] efficient but [reduced] [changed] role of the State].] [The work of UNCTAD should continue to be based upon the recognition that active and competitive markets and private initiative are critical dynamic agents of an expanding economy, without losing sight of the enabling influence of good governance and an efficient but appropriately limited role of the State.] As stressed in the Cartagena Commitment, the ultimate responsibility to create the political and economic conditions for stability and progress lies with each society, and each Government. [At the same time, [it is recognized that] [the new outlook has confirmed that] the difference between success or failure of domestic efforts [in achieving sustainable development

often depends on the external economic environment, including market access, financing, investment, technology and financial and technical assistance] [[often] [also] depends on the external economic environment.]] [[At the same time, we recognize that the availability of, and the ability of developing countries to take advantage of, opportunities in the global economy influence the success of domestic development strategies.] [The better to succeed, those efforts need an international system capable of accelerating growth in a stable and sustainable way worldwide.] [Development efforts at home are best supported by an international system that encourages faster and widely shared, yet sustainable growth worldwide.] The external environment must also [provide countries with open [, fair, equitable] [and competitive] access] [ensure countries open and competitive access] to the basic elements of sustainable development, i.e., markets, financing, investment, [and] technology, [and financial and technical assistance.] [These [elements] remain the fundamental [priorities] [key elements] of UNCTAD's work.] Delete all]

5. In its effort to further the integration of the [poorest] [developing] countries in the emerging global economy, UNCTAD should grant priority to the specific situation of the least developed countries, whose marginalization from the currents of trade and investment has [accelerated] [continued] in the 1990s [whilst taking into account the particular vulnerability of developing countries with small economies]. [UNCTAD can play a significant role in generating and providing specific support to assist [the least developed] [these] countries in building their domestic capacities to produce and trade more efficiently, and to stimulate international consensus on the ways and means to provide these countries and [their populations] with a more supportive external environment [in areas such as trade, [financial resources,] investment and debt.] [UNCTAD has the capability to play a significant role in assisting the least developed countries in building their domestic capacities to produce and trade more efficiently.]]

[5 bis. While the accelerating pace of the interrelated processes of liberalization and globalization in the world economy has increased opportunities for growth and development, it has also added new complexities and risks in managing global interdependence. Thus far, Africa has been largely by-passed by the positive effects of the globalization process, and the risk of further marginalization of this continent looms large. Accordingly, a major challenge for the ninth session of UNCTAD is to take urgent actions which would rapidly integrate Africa into the mainstream of the world economy.]

[6. [[In other parts of the world,] the rapid change in economic and social conditions has been the source of [unprecedented] difficulties and [dangerous] disequilibria which will not be corrected by domestic action alone. This is the

case of [countries with economies in transition] [many developing countries [in particular in the [former socialist]] [and] countries [in transition] that are still undergoing a delicate transition to a market economy.] [The Conference can also contribute to identifying and addressing the specific needs of these countries, especially with regard to their integration in the post-Uruguay Round trading system.]] [The Conference can also contribute to identifying the specific needs of these countries, especially with regard to their integration in the post Uruguay Round trading system, and addressing them through appropriate technical facilities.]]

7. [The] [A] challenge facing UNCTAD IX is to further [translate] [develop] UNCTAD VIII's vision of [a new] partnership for development into a pragmatic approach [involving innovative initiatives aimed at [empowering] [enabling] UNCTAD's [and its] member States to address] more effectively the development problematique in a globalizing world economy [that has accepted sustainable development as the overarching framework for its endeavours]. [For this purpose, the Conference [should strive to seek ways of expanding] [[decides] [recognizes the need] to expand] the range of actors involved in the implementation of partnership for development by [bringing] [including] the civil society into relevant areas of UNCTADs work.] [In this respect the Conference will examine the modalities for this participation.] [while maintaining its intergovernmental character] [UNCTAD will also strive to [improve the complementarity of its work with that of other organizations, and to] [evolve and] [The Conference reaffirms the basic elements of the partnership for development. In this respect, the Conference reiterates the necessity for a more efficient and equitable world economy; the promotion of a climate of real cooperation and solidarity; and strengthening of multilateral cooperation in order to adapt to the new economic realities and minimize the risks of marginalization. The Conference stresses the need to] implement joint programmes and action plans [as appropriate] with all relevant organizations of the United Nations system - including - [and] [in particular] the International Trade Centre (ITC UNCTAD/WTO), [UNDP, UNIDO] the regional commissions, [and FAO - and with] the World Trade Organization, the International Monetary Fund and the World Bank, [as well as with the regional economic organizations] in order to support policy development and capacity-building in developing countries, particularly the least developed ones.]

8. The Conference [decides] [recognizes] that UNCTAD's activities should be [[more] sharply] focused on [a [relatively] small number of] [trade and investment] issues of central importance to [sustainable] development on which it can have a substantial impact. In doing so, UNCTAD [will vastly] [should strive to] increase its impact on development and its ability to make a real change in the lives of people. [This sharper focus should result in



significantly lower resource demands by UNCTAD on the United Nations regular budget and a smaller secretariat.]

[New 8. In order for UNCTAD to increase its impact on development and its ability to make a real change in the lives of people, its activities should be more sharply focused on issues of central importance to development on which it can have a substantial impact.]

II. PROMOTING GROWTH AND SUSTAINABLE DEVELOPMENT IN A  
GLOBALIZING AND LIBERALIZING WORLD ECONOMY

A. Challenges arising from globalization and liberalization  
among countries facing different circumstances

9. The globalization of production and the liberalization of trade offer opportunities for all countries and enable developing countries to play a more active role in the world economy. At the same time, these processes have also increased the complexity and challenges involved in interdependence, increasing the risks of instability and marginalization. Technological advances, the increased mobility of production factors, and in some cases regional trading arrangements have opened the door to the prospect of considerable gains in productivity and wealth creation. Some developing countries are already reaping the benefits. Others are less well placed to seize these opportunities. In principle all should benefit [given] [if each Government assumes its responsibility in creating] the political and economic conditions necessary for sustainable development, economic growth and stability [, and if [increased and effective] international support is forthcoming to help those at risk of exclusion, especially the least developed countries and other structurally vulnerable weak economies.]

10. The challenge is daunting. [Many of the poorest countries are at risk of being left behind, mired in low growth and poverty.] Economic and human well-being in these countries, especially in Africa, lags seriously behind. [Extremely poor countries and those with highly centralized economies often find it hard to adjust to globalization and liberalization and to promote the efforts of their people to enjoy the benefits of these forces.] [Few African countries are in a position to benefit from globalization, and many of them continue to be marginalised in world trade, commodity and capital markets. Thus even as globalization and liberalization are deepening economic linkages among nations, they risk leaving behind economies that were not able to benefit from this process.]

11. [[It is imperative that] [The challenge is to create the conditions that will allow] the flows of world investment and trade should help to bridge the economic and social disparities among and within nations in the final years of the twentieth century. Towards that end, the Conference reaffirms the partnership for development.]

**1. [Globalization and development]**

12. In the 50 years since the United Nations was established, the concept of development has evolved significantly. From a narrow focus on economic growth and capital accumulation, development has come to be widely understood as a multidimensional undertaking, [a people-centred and equitable process in which] the ultimate goal of economic and social policies must be to better the human condition, responding to the needs, and maximizing the potential, of all members of society. To be sustainable, development must meet the needs of the present without compromising the ability of future generations to meet their own needs.

12 bis. [The international community is confronted with a perpetuation of disparities between and within nations, worsening of poverty, hunger, ill health, illiteracy, rising unemployment and underemployment, and the continuing deterioration of the ecosystem on which human well-being depends. However, integration of environment and development concerns and greater attention to them will lead to the fulfilment of basic needs, improved living standards for all, better protected and managed ecosystems and a safer, more prosperous future. No nation can achieve these objectives on its own. They can only be achieved through a global partnership for sustainable development consistent with the outcome of the Rio Summit.]

13. Broadly based growth is a necessary condition for the economic, technological and social transformation of societies in developing countries. But for economic growth to accelerate and to be widespread and sustainable, the international community should promote cooperation based on broadly-shared conceptions of development problems. [Democracy and transparent and accountable governance and administration in all sectors of society are indispensable foundations for the realization of social and people-centred sustainable development. To ensure that the political framework supports the objectives of social development, which along with economic growth and environmental protection is a component of sustainable development, it is essential for social development that all human rights and fundamental freedoms, including the right to development as an integral part of fundamental human rights, are promoted and protected.] [In this regard, the important principles and programmes of action from the global United Nations conferences on environment, human rights, population, social development and women provide guidance for future action.]

14. There is a range of non-governmental actors - the civil society - whose participation is required to address appropriately the challenge of sustainable development. Companies, large and small and both domestic and transnational, private investors, non-governmental organizations, universities and research centres have a role to play in promoting sustainable development which was

traditionally expected from the State. In most countries, Governments continue to play an essential role in a number of areas: provision of basic infrastructure, ensuring the appropriate policy environment, stimulating the development of entrepreneurship and promoting or undertaking, as necessary, some functions which cannot for reasons of scale or externality be adequately initiated by the private sector. [Equality of opportunity is also an important part of any supportive national environment and hence falls within the domain of government activity.]

15. Sustainable economic growth requires creation of an enabling environment for the private [/business] sector. To create this environment, countries must ensure the efficient functioning of domestic markets, establish [efficient] [sufficient]] [facilitate] access to international markets, and create the best possible conditions for the competitiveness of their firms, particularly the micro, small and medium-sized enterprises which characterize developing countries. Further necessary conditions include sound macro-economic policies; encouragement of entrepreneurship and competition; and efforts to promote domestic savings and attract foreign capital, technology and know-how, as well as mobilizing capabilities towards sustainable development.

[15 bis. Regional arrangements have rapidly expanded to new countries and new policy areas, including after the successful completion of the Uruguay Round. They are able to complement and go beyond what had been possible at the multilateral level. Although regional arrangements stimulate growth in member States and thus create higher demand for imports from non-members, they may still have negative trade and investment effects on third countries.]

16. [Many developing countries are participating actively in world trade through the adoption of outward-oriented reforms. For their growth, these countries depend to an increasing degree on world markets and private international capital to supplement domestic savings. The transparency and certainty of market conditions in individual countries and the existence of a stable international economic environment are important in this regard.]

[16 bis. Developing countries require unhindered access to technologies critical to their development. Many developing countries have liberalized their technology import policies, but restrictive measures, especially in respect of high technology, still prevail and are expanding among the advanced country owners of technology.]

17. Globalization [and liberalization] make[s] all countries more susceptible to external developments, [accelerating the transmission of positive impulses and, also, negative shocks.] [Their autonomy for action is reduced.]

[[Furthermore,] [In some cases] the distinction between national and international policies has become blurred, leading to an [internationalization] [externalization] of the domestic agenda.] [As a result, possibilities for economic friction increase, [including with respect to issues such as labour standards, human rights and environmental protection] suggesting a greater role for international cooperation.]

18. No country can evolve in isolation. Each is part of a global economy that is increasingly interdependent in terms of economic activities and expectations in respect of living standards. [Participating fully and effectively in international trade and production requires enhancing capabilities, improving the transparency and certainty of the domestic economic environment and securing access to markets. For the least developed and other structurally weaker economies, this means creating and expanding capacities and infrastructure to supply goods and services efficiently to globalizing markets.] or [For developing countries and countries in transition to participate fully and effectively in the international trading system, they must adopt and implement sound economic policies that emphasize the market and role of the private sector, lower barriers to trade and investment, and create an enabling environment. These steps will create the conditions necessary for expanded trade and production.]

19. In many developing countries, particularly those in Africa and LDCs, commodity and market diversification require investment, human resources development, technological capacities, skills and support infrastructure to augment levels of production and efficiency to the exacting quality, cost and delivery requirements of global markets. International assistance, enhanced market access opportunities, development finance, investment and technical cooperation can play a crucial role to complement domestic efforts [to create democratic institutions, implement structural adjustment programmes, ensure a sound and transparent legal framework, limit unproductive spending, and invest in social improvements.]

[19 bis. Empirical evidence has shown that heavy debt loads, particularly in the least developed countries and some other low-income countries, have impeded development by diverting social spending to debt servicing and by contributing to the creation of a high-risk investment climate. Conversely, reducing debt loads to sustainable levels can have a positive impact on development prospects in the presence of a sound macroeconomic and structural framework. It should be recognized, however, that regaining financial viability is no guarantee of poverty reduction.]

[19 ter. Land-locked developing countries, which are among the poorest developing countries, have the additional burden which results from their geographical handicaps. These handicaps have an adverse impact on their external sector performance and their overall economic development. Likewise, the island developing countries, particularly the small and remote ones among them, also face additional development constraints due to such factors as a poor resource base, underdeveloped infrastructure, a limited industrial base, environmental fragility and shortage of human resources.]

20. Measures for capacity-building including, *inter alia*, access to information and technologies and implications of information technologies for trade, trade efficiency and creation of an enabling environment for development of small and medium-sized enterprises and micro-enterprises will enhance the ability of developing countries [and countries in transition] to benefit fully from trading opportunities [especially those arising from the Uruguay Round.] [in the post-Uruguay Round world.]

20 bis. [Enterprises in the informal sector are to be considered as part of the enterprise entity which contributes to the development process. They provide a source of new entrepreneurs and, being labour-intensive, can generate wage and self-employment for a significant segment of the population in many countries. Although not illegal, they typically lack the infrastructure and support services common to the formal sector. Successful government policies to promote the development of enterprises that originate in the informal sector and to integrate them into the formal sector include measures to facilitate compliance with regulations and the provision of support services.]

21. In a new context in which market-oriented growth strategies are being pursued by most developing countries, more intensive economic cooperation among developing countries is one means of increasing their capacity to produce, achieve economies of scale, and become internationally competitive, thereby promoting their integration into the world economy. In the area of economic cooperation among developing countries, some regional cooperation arrangements have evolved to a stage where trade and other economic activities among member countries make an important contribution to their economic growth in the context of sustainable development. Moreover, with the increasing diversity of development performances among developing countries, some of those countries have reached a stage of development where they can share their development experiences and cooperate with other developing countries, including in areas such as the integration of the enterprise sector into South-South cooperation processes; new approaches to monetary and financial cooperation; and intensified multi-sectoral cooperation in trade infrastructure, investment and production. Regional economic cooperation can play an important role in promoting production and

market diversification, building adequate infrastructure networks and ensuring an efficient allocation of resources. This is a very important process.

## **2. International trade in goods and services, and commodity issues**

22. Globalization and liberalization have increased the potential for international trade to become an unprecedented engine of growth and an important mechanism for integrating countries into the global economy. [Many] [Some] [A number of] developing countries have seized the opportunities and seen the rapid growth of their economies. Not all countries, however, have been equally positioned to seize these new trading opportunities. There is thus a real risk that a large number of countries [not implementing sound economic policies and creating an enabling environment for sustainable development], especially the least developed countries and other structurally weak economies, could become further marginalized. At the same time, it is widely recognized that the integration and fuller participation of these and other developing countries and countries in transition in the global economy would contribute substantially to the expansion of world trade, serving the overall objectives of world economic growth in the context of sustainable development.

23. The completion of the Uruguay Round of multilateral trade negotiations was a major step by the international community towards the expansion of the rule-based international trading system and advancing liberalization in international trade and creating a more secure trading environment. The Uruguay Round furthered and consolidated the process of trade liberalization through improvements in market access and more stringent disciplines over trade measures. It set out a system of multilateral trade obligations subject to a common dispute settlement mechanism which will place most countries at virtually the same level of multilateral obligation within a relatively short time. [It addressed key issues in the areas of textiles and clothing, agriculture, subsidies and safeguards. It covered new areas, such as norms for the protection of intellectual property and services.] Most of the multilateral trade agreements contain their own built-in agenda for review, possible revision and negotiation of future commitments.

24. [It has been recognized that the implementation of the Uruguay Round Agreements could involve transitional costs for developing countries, specifically the LDCs and the net-food importing developing countries.] The provisions contained in the Uruguay Round Final Act conferring special and differential treatment in favour of developing countries, including longer transition periods for the implementation of certain provisions and a lower level of obligation in certain agreements, and decisions on measures in favour of the LDCs and on measures concerning the possible negative effects of the reform

programme on LDCs and net food-importing developing countries are therefore important.

25. The challenges facing the developing countries and countries in transition in the context of globalization and liberalization are not confined to [implementing domestic policy reforms,] identifying and exploiting the trading opportunities created by the Uruguay Round and [identifying] the policies which could enable them to derive maximum benefits from these opportunities. [The challenges relate also to identifying where future multilateral action is necessary to expand such opportunities.] In this context, the pursuit of the built-in future work programme contained in the various Uruguay Round Agreements and the key new emerging issues need attention. [The interests of developing countries should be fully taken into account in this regard.]

26. [For developing countries and economies in transition to benefit [equitably] from the liberalization of trade in services, the ongoing negotiations in this area will have to achieve substantial liberalization in sectors and in modes of supply of export interest to developing countries, *inter alia* movement of natural persons and professional services. The development and strengthening of the services sectors is yet another major [challenge] [opportunity] facing developing countries seeking to derive benefit from the implementation of the General Agreement on Trade in Services (GATS).] or [The ongoing negotiations in the services area should focus on sectors of export interest to developing countries. The development and strengthening of the services sectors is yet another major [challenge] [opportunity] facing developing countries seeking to derive benefit from the implementation of the General Agreement on Trade in Services (GATS).] or [Strengthening the services sectors of developing countries and countries in transition will provide great benefits to their economies.] [As recognized in the GATS, reducing barriers to foreign services suppliers can increase economic efficiency [and provide the opportunity for transfer of technology on a commercial basis.] or [A focus on the possibilities of expanded trade in services through various "modes of supply" and the potential of the services sector for economic diversification and employment creation could pay large dividends.]

27. The Uruguay Round brought the agricultural sector under comprehensive multilateral discipline for the first time, transformed a wide range of non-tariff barriers into transparent, bound tariffs, and limited domestic support and export subsidies [while it may involve possible negative effects for LDCs and the net food-importing developing countries.] [But many problems persist in this sector, including high domestic subsidies, "tariff escalation" and "tariff peaks"] [and other forms of protection that may not only generate distortions in international trade in agricultural products, thus reducing the



trading opportunities of several countries, but also may not be justifiable from the standpoint of sustainable development.] [The reform process of international trade in agricultural products will continue on the basis of negotiations in WTO in accordance with the Agreement on Agriculture.] Full and effective implementation of the Uruguay Round outcome within the agreed time frame will ensure maximum benefit.

27 bis. [The Uruguay Round Agreements have resulted in the erosion of preferences. The role of GSP as a tool for the early industrialization of developing countries has also received a setback by the imposition of conditionalities which are against the basic principles of non-discrimination, universality and non-reciprocity.] or [There is considerable potential for the maintenance in the post-Uruguay Round environment of the valuable role which the GSP has played as a trade policy instrument aimed at fostering the industrialization of developing countries and their integration into the world trading system. Certain preference-giving countries have already taken steps in this direction by reviewing their schemes to achieve a better distribution and utilization of GSP benefits among beneficiaries. There is concern that the enlargement of the scope of the GSP by linking eligibility to non-trade considerations may detract value from its original principles, namely non-discrimination, universality and non-reciprocity.]

28. [Globalization has, in some cases, highlighted differences in regulatory regimes in various policy areas. Pressures exist to extend the WTO framework of trading rights and obligations into new areas [including competition policy, investment, environment and labour], and consider how trade regimes can be aligned with the realities of globalization. The WTO may consider some new issues at its first Ministerial Conference scheduled for December 1996 in Singapore.]

29. Competition policy is one important new policy area, [as there is growing acceptance that trade concessions and obligations can be nullified by anti-competitive practices.] [There is growing realization that anti-competitive practices can have a negative influence on trade opportunities arising from trade concessions and obligations.] [The challenge facing developing countries is to introduce effective national policies in this respect. The challenge facing the international community on the other hand is to achieve legally binding norms for competition policy at the international level.] The TRIMs Agreement has formally recognized that competition policy and investment policy are closely related and thus require parallel consideration. [Relevant to this consideration is the work carried out in UNCTAD on restrictive business practices, leading to the recent third United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of RBPs.]

The Set of Multilaterally Agreed Equitable Principles and Rules for the Control of RBPs is the only multilateral instrument on RBPs and represents broad consensus of the international community on the importance of competition principles.

30. A particularly important area is that of integrating trade, environment and development. A concern here is that environmental [objectives] could be used for protectionist purposes. [It has been recognized that in developing environmental policies it is important to ensure that they are, *inter alia*, transparent, [no more trade-restrictive than necessary to achieve the environmental objective,] and pay appropriate attention to the special conditions and development needs of developing countries. Additional relevant principles include urgency and necessity, [sustainability,] effectiveness, polluter pays and common but differentiated responsibility.]

31. The lack of efficient and transparent trade-related services such as customs, transportation, banking and insurance, telecommunications or business information is a major impediment to the integration of developing countries and [some] countries in transition in international trade and poses a formidable risk of exclusion from and challenge to the emerging global economy. Measures by all concerned to reduce the barriers to participation in international trade faced by entrepreneurs, [including informal enterprises, and] micro, small and medium-sized enterprises, in the developing countries and in particular least developed ones could contribute towards increasing employment and extending the benefits of globalization and liberalization to the entire society. Better access by these entities to training, finance, marketing and information services can play a crucial role in their success.

32. Commodity production and trade provide the mainstay for hundreds of millions of generally poor farmers and mine-workers in developing countries, particularly the least developed countries and other structurally weak economies. Developing countries which are heavily dependent on commodity exports face special challenges in promoting through trade their economic growth in the context of sustainable development. [This is owing on the one hand to the instability of prices and international trade in these products and on the other hand to the difficulties encountered in the horizontal and vertical diversification of this sector and the lack of sound market-oriented policies and development strategies.]

33. Many commodity-dependent countries have attempted a diversification of their commodity sectors, and some have made successful efforts to improve their productivity and to diversify their economies. Over the past few years, many South-East Asian and Latin American countries which pursued sound economic

policies have successfully expanded and diversified both their traditional commodity exports and the structure of their exportables. [Despite preferential access to markets], other developing countries, in particular low-income countries [as well as [those] [some] countries with small vulnerable economies and those making considerable efforts to eradicate illicit narcotic crops] have experienced limited progress in export diversification and a relative stagnation in their commodity and other economic sectors. [Lack of financing for diversification in the commodity sector was a major cause of failure of this sector to respond to instability.] A major lesson from these contrasting development trends is the importance of the timeliness and flexibility of producers' and exporters' responses to new or emerging market opportunities and niches.

34. Another important factor affecting the commodity sector has been the post-UNCED awakening of concerns about the relationship between economic growth and the natural environment, as both commodity and industrial production activities affect the natural resource base. Changes in production and consumption patterns to make them consistent with sustainable natural resource use will be more difficult to effect if environmental costs and benefits are not taken into account in the prices of products, or if the adoption of environmentally preferable production methods are not facilitated by other means, [including the elimination of price-distorting measures.] [Introduction of environmental conditionalities in the commodity sector will place an additional burden on commodity producers and divert resources from normal development programmes. There is a need to adopt a comprehensive strategy to address the problems of the commodity sector.]

35. [In recent years, the nature of international cooperation to deal with commodity price fluctuations and compensatory financing has changed in favour of market-based approaches. In this new environment, new approaches, designed both multilaterally and bilaterally, can help the developing countries dependent on commodities to manage these risks efficiently. To manage these risks, private [agents] and governmental institutions require new skills and techniques and information, which few developing-country producers and exporters currently possess. It will also require promoting improved transparency and market security in order to facilitate access to risk management services.]

### **3. Promoting investment and enterprise development**

36. Globalization and liberalization, driven by technological progress, increased competition and converging demand patterns, are shaping economic and social change throughout the world. In the new environment, sustainable economic progress requires regular investment in the productive sectors, mastery of

technology and a dynamic and competitive enterprise sector. [Experience also demonstrates the useful facilitating role played by government action to provide a stable macro-economic environment and a sound economic, social and legal infrastructure, including the respect of property rights and of the rule of law.] Indeed, the economic importance of the enterprise as one of the main engines of growth and of development is now universally acknowledged: the enterprise is the economic unit that organizes production, creates employment, enhances skills, absorbs and promotes technological change and harnesses it for production, and invests for the future. In undertaking these functions, enterprises also contribute to broader social and economic objectives, such as reducing poverty and accelerating structural adjustment. As globalization and liberalization also bring with them the globalization of competition, it is increasingly acknowledged that development policies, at both the national and international levels, need to be directed specifically at fostering viable and internationally competitive enterprises, including an entrepreneurial culture. Within this context, the particular need to foster the development and expansion of small and medium-sized enterprises is also vital.

[36 bis. Increasing globalization and liberalization have adversely affected many enterprises in developing countries, even resulting in the closure of many enterprises. The pool of unemployed has consequently grown in some developing countries. The cut-back in public expenditures due to structural adjustment programmes in many developing countries has prevented investment in basic infrastructure that local enterprises require in order to be able to operate profitably. Conditions required for successful enterprise development are lacking in developing countries.]

36 ter. Enterprise competitiveness, the core of the modern economy, depends to a large extent on an appropriate [national] [and international] enabling environment. Key elements of a favourable policy framework include:

- [At the national level, macro-economic stability and appropriate regulatory frameworks, including measures for consumer protection [and those relating to restrictive business practices.] [based on the rule of law and the respect of property rights.]

Experience has shown that these are also conducive to attracting foreign direct investment, as well as to developing and strengthening domestic technological capabilities.

- At the international level, structural adjustment programmes in favour of enterprise development. [, [such as] [,] provision of loans on concessional and preferential terms, policy dialogue on resource flows,

improved conditions for market access and transfer of technology, etc.]]

37. Enterprise competitiveness is based on a variety of factors including the cost of production factors, flexibility of production, quality, responsiveness to customers' needs, availability of credit and access to business information, etc., in a dynamic setting involving changing market demands and the continuous entry of new competitors. Competitiveness, even in traditional sectors, thus depends increasingly upon rapid adaptation to technological change, cooperative research and development efforts among firms, and a continuous process of innovation and human resource development. In addition, small and medium-sized enterprises are confronted with difficult challenges concerning the financing of their development, marketing activities, access to international markets, the introduction of advanced technology and improvements in managerial skills, quality and production. These challenges are more acute for small and medium-sized enterprises of developing countries, which account for a majority of the enterprises in most developing countries, as they operate in a more difficult environment [as compared with those of the developed countries]. [Former centrally run enterprises of countries in transition face problems in adapting themselves to a competitive market-oriented environment.]

38. The experience of developed countries and those developing countries which have achieved sustained economic growth in recent years suggests that science and technology policy-making capability and ongoing dialogue between government and the private sector are important components in the development and expansion of an internationally competitive enterprise sector. In view of the increased competitive pressure on the enterprise sector brought by liberalization and the process of globalization, international support which takes into account the particular needs of individual countries would be required in the areas of institution-building, finance, access to commercial information, training and marketing and the development of a technological infrastructure to ensure that enterprises, in particular SMEs, in developing countries adjust to the rapidly changing global economic environment.

39. Foreign direct investment (FDI) can play a key role in the economic growth and development process. The importance of FDI for development has dramatically increased in recent years. FDI is now considered to be an instrument through which economies are being integrated at the level of production into the globalizing world economy by bringing a package of assets, including capital, technology, managerial capacities and skills, and access to foreign markets. It also stimulates technological capacity-building for production, innovation and entrepreneurship within the larger domestic economy through catalyzing backward and forward linkages.

40. The globalization of investment has become a dynamic factor in production strategies and in world trade, and the privatization programmes which have been implemented in some countries represent an important support tool [for economic development and streamlining the role of the State.]

40 bis. Privatization, particularly in developing countries and countries in transition, is especially important since, under appropriate conditions, it can create new enterprises, reduce public deficits and contribute to an increase in investment flows. [Due account should be taken of the social aspects of privatization, and relevant policies and measures, designed both by Governments and by the international donor community, are necessary in order to mitigate the adverse social consequences of privatization.]

41. Productive private investment, both domestic and foreign, is based upon investor confidence. Experiences have shown that, [other things being equal,] FDI is attracted [more strongly to those countries that have adopted coordinated policies on investment and technology.] [by a variety of policies and conditions conducive to economic development]. [In order to attract FDI, it is essential for host countries to have in place a stable, supportive, effective and transparent legal framework. Intellectual property protection is an essential component of an environment conducive to the creation and international transfer of technology. Bilateral, regional, and multilateral investment agreements which signal that investment is valued and that all investors will be treated fairly also promote [productive] investment.]

42. There have been very few [new] flows to the least developed countries, and in particular into Africa where the existing opportunities may need to be further promoted. [In this regard it is also necessary that home countries should adopt positive policies and measures to ensure that the dynamism, global resources and vast capabilities of the TNCs are harnessed and directed towards indigenous technological capacity-building in Africa.]

43. [Strengthened subregional, regional and interregional cooperation among developing countries can be an important factor in making them more attractive to foreign investors.] Another [helpful] trend of importance is that a number of countries in all regions have put into place, or are in the process of doing so, elements of a regional and, in some areas, interregional framework for FDI [or aspects of the activities of transnational corporations (TNCs).] [without, however, having established a comprehensive, multilateral framework that covers a great majority of countries]. [The desirability, scope and nature and issues of [such] a multilateral framework, [and especially its development dimensions,] [are increasingly being] [need to be] discussed] [analyzed] [to ensure that [this

evolution is "development friendly"] its development dimensions are taken into account].

[44. Enterprises from developing countries can test their competitiveness abroad only if they have access to foreign markets. Although there was a reduction in market access barriers in the Uruguay Round Agreements, high MFN tariffs, tariff escalation, tariff peaks and substantial NTBs continue to exist and impede market access for enterprises from developing countries, preventing them from realising their competitive advantage.]

[45. These elements highlight the importance of a coherent and comprehensive strategy for enterprise development that would [need to be adapted to] [be adapted to a variety of different country contexts and, also, integrated with other overriding national policy imperatives, such as poverty alleviation and structural change] meet the particular needs of individual countries. One [further] important component [of such a strategy] [of this strategy] would appear to be the broadening and deepening of dialogues between government and private sectors, so as to ensure that [it] [the strategy adopted] reflects a full assessment of [overall] [business needs] [development priorities of countries.] [and market development, rather than the narrow interests of particular industries]. Experience suggests also that ongoing dialogue between government and the private sector is likely to help ensure rapid and full implementation of the strategy and its timely adaptation to changing circumstances.]

[45 bis. There is need for a package of support services for micro and SMEs. Support services cover such areas as project execution, pre-investment studies, management consulting, production control, product development, marketing, engineering design, quality control, laboratory testing, packaging, accounting, insurance, banking, legal services, repair, maintenance, data management, computer and software, transport, etc. Access to credit and equity capital is important for all enterprises, but particularly for micro and SMEs.]

[45 ter. In the treatment of the issues related to enterprise development, it is necessary to improve [have an agreement on] the coordination and information exchange between UNCTAD and UNIDO with the aim of complementing their activities and avoiding duplication.]

**B. Measures and actions to be taken in order to maximize the development impact of liberalization and globalization and minimize the risks of marginalization and instability**

46. States that are members of UNCTAD set as their objective the full integration of developing countries, in particular the least developed, and the

[interested] economies in transition into the world economy and the international trading system in order to enable them to reap the [full] benefits of liberalization and globalization. This means providing the conditions for an expansion of trade in goods and services to enhance their ability to meet their multilateral obligations, to understand and take advantage of their trade rights and to pursue their trade and economic objectives. Particularly for the least developed countries and the countries with structurally weak and vulnerable economies, this objective calls for the development and expansion of capacities to supply goods and services to globalizing markets. The member States recognize the importance of the assistance and support of the international community as well as UNCTAD's contribution in assisting developing countries and [interested] economies in transition to achieve this objective and agree to apply the following recommendations to this end:

**1. [Globalization and development]**

47. [National policies should: create a stable macro-economic framework; ensure an appropriate legal and regulatory framework for private markets; demonstrate required commitment to structural adjustment and reform; provide strong and transparent policy frameworks to promote investment; address human resource development; promote equitable distribution; include adequate budgetary expenditure for social programmes aimed at ensuring basic human needs are met; provide for democratic institutions; ensure environmental and human rights protection; and support good governance and political stability. Developed countries, in particular, should endeavour to pursue appropriate macroeconomic and structural adjustment policies aimed at the achievement of sustainable development in developing countries, including non-inflationary growth and expansion of employment.] [Donor countries, international financial institutions, United Nations organs and specialized agencies are called upon to take part and effectively participate in the Mid-term Review Meeting of the UN-NADAF, scheduled to take place in September 1996 in New York, with a view to ensuring that the Review will lead to a more effective implementation of the agenda.]

48. Trends in resource flows point to the increasing importance of private flows and the decline in real terms of official development assistance (ODA). [Official development assistance (ODA) will continue to play an important role in financing development and is particularly indispensable in LDCs and other low-income countries. However, there is a need to revitalise donor countries' development policies and for the effectiveness of ODA to be ensured. Efforts to provide debt relief should be pursued, particularly for severely indebted low-income countries, as agreed at the Copenhagen World Summit for Social Development.] [An expeditious reversal of the decline in ODA is of critical



importance.] [Donor countries that have not yet done so are urged to increase their ODA in accordance with their commitments in Rio and in various United Nations resolutions.] [Donor countries are also urged to implement the specific targets of 0.15 per cent of GNP set out in the Programme of Action for the LDCs for the 1990s and in its mid-term review.] or [Development cooperation with the least developed countries should be improved, through the effective implementation of commitments set out in the Programme of Action for the Least Developed Countries for the 1990s and reiterated in the mid-term review.] or [Allocations of development assistance to the least developed countries should be [substantially increased] [improved] through the expeditious implementation by donors of the agreed menu of aid targets and commitments set out in the Programme of Action for the Least Developed Countries for the 1990s and reiterated in the mid-term review.]

49. [A comprehensive effort should be made to address effectively the problems of developing countries [undertaking structural adjustment reforms] whose growth prospects continue to be severely affected by their external debt burden, in particular the least developed countries and other severely indebted low-income countries [and economies in transition].] In this regard, to address official bilateral debt problems, the [new] Naples terms, adopted by Paris Club Creditors, in favour of the poorest and most indebted countries should be expeditiously implemented. Non-Paris Club Creditors who have not already done so are also urged to take appropriate measures. [The debt problem of many developing countries can also be alleviated by providing more liberal market access to their goods and services.]

49 bis. In order to address the multilateral debt problems of [developing countries [undertaking structural adjustment reforms] whose growth prospects continue to be severely affected by their external debt burden, in particular the least developed countries and other severely indebted low-income countries [and economies in transition]], the Bretton Woods institutions are encouraged to develop a comprehensive approach to assist countries with multilateral debt problems through the flexible implementation of existing instruments and new mechanisms where necessary. In this respect the Bretton Woods institutions are encouraged to expedite the ongoing consideration of ways to address the issue of multilateral debt. Other international financial institutions are invited to consider, within the scope of their mandates, appropriate efforts with a view to assisting [developing countries [undertaking structural adjustment reforms] whose growth prospects continue to be severely affected by their external debt burden, in particular the least developed countries and other severely indebted low-income countries [and economies in transition]] with multilateral debt problems.

49 ter. [In view of the liberalization of cross-border financial transactions which has exposed domestic economies to the volatilities in the international markets, the developing countries should be fully informed about the opportunities, risks and policy implications of different type of flows, as well as risk-hedging instruments. In this connection, the Conference also supports the principle of reviewing IMF quotas and a new SDR allocation and, more generally, of international action to improve and coordinate national regulatory frameworks for international financial transactions.]

50. [Adequate attention should be given to developing countries with small vulnerable economies, such as those in Latin America and the Caribbean, as well as low-income countries.] or [It is essential that adequate attention be given to developing countries with small vulnerable economies, such as those in Latin America and the Caribbean, as well as low-income countries, which also need supportive measures to enhance their capacity to integrate into the world trading system and economy.] [Technical cooperation activities [should be undertaken to address] [might have a positive impact in addressing] their needs in the interrelated areas of trade, investment, finance and technology.]

[50 bis. Land-locked and transit developing countries require special attention in order to enable them to carry out the necessary development policy and operational reforms that will help reduce the high transit costs and enhance their external trade performance. Technical cooperation support activities will make a major contribution in this regard. Similarly, island developing countries, particularly the small and remote ones among them, require continued support in order to assist them to overcome their particular development constraints resulting from their structural and geographical weaknesses and lessen the high degree of vulnerability of their economies.]

51. South-South cooperation should be promoted through the sharing of development experiences among developing countries at different stages of development. This process can be assisted by developed countries in the form of triangular cooperation. New political and economic realities of interdependence call for greater partnership in development. Support of the donor community [of developed countries] for [economic cooperation among developing countries] [South-South] initiatives and programmes through, *inter alia*, financial and technical assistance [in this regard would be welcome] [will be intensified]. More attention should be given to promoting triangular cooperation and joint ventures.

51 bis. Interregional cooperation among developing countries could involve: (i) the design and implementation of programmes of technical cooperation among developing countries (TCDC); [(ii) measures to grant preferential access to

the exports of LDCs on a non- reciprocal basis by developing countries under the GSTP;] and (iii) trade liberalization through the Global System of Trade Preferences among Developing Countries (GSTP) and other arrangements. Further negotiations in the GSTP should aim to widen the scope of the GSTP as envisaged in the Agreement.

52. The important principles and programmes of action of the United Nations Conferences on environment, human rights, population, social development and women should be effectively followed up.

## **2. International trade in goods and services, and commodity issues**

53. [The Uruguay Round Agreements provide the framework for an open, rule-based, equitable, secure, non-discriminatory, transparent and predictable multilateral trading system. All members of the WTO should implement their commitments fully and all provisions of the Final Act of the Uruguay Round should be effectively applied [in such a way as to maximise their developmental impact]. [Major trading countries should exercise appropriate restraint in the application of trade remedies such as safeguards and anti-dumping and countervailing measures against the products of developing countries and countries in transition.]]

54. The full realization of the anticipated benefits from the conclusion of the Uruguay Round also requires that confidence in the integrity and credibility of the multilateral trading system be upheld. In this respect, the WTO dispute settlement mechanism is a key element of the credibility of the multilateral trading system. Governments should desist from actions which are inconsistent with their WTO obligations. [It is essential for all countries to respect and fulfil the totality of the undertakings of the Uruguay Round, refraining from engaging in unilateral and extraterritorial measures and withdrawing them if they are in place.]

55. [One possibility to provide greater market access for services of particular export interest to developing countries could be the effective implementation of Article IV of the GATS.]

56. [For developing countries and countries in transition to benefit fully from the trading opportunities arising from the Uruguay Round Agreements, technical assistance, domestic policy reforms, improvements in international trade policy, liberalisation of foreign investment regimes, reducing barriers to trade in goods and services and the strengthening of their capacities for trade-related service infrastructure should be continued. [Also important is the implementation of Uruguay Round Agreements by developed countries in a way that maximizes their

developmental impact and the avoidance of the use of trade remedies and other measures that limit the trading opportunities of developing countries.]] or [For developing countries and countries in transition to benefit fully from the trading opportunities arising from the Uruguay Round Agreements, there is a need for the implementation of the Agreements by developed countries in a way that maximizes their developmental impact and avoids the use of trade remedies and other measures that limit the trading opportunities of developing countries.]

57. [Tariff escalation, domestic taxes and other trade-distortive or protectionist measures in developed countries in areas of high importance for developing countries' exports should be addressed specifically in sectors such as agriculture, textiles and clothing, leather products and petro-chemicals.]

58. [Preference-giving countries are invited to improve their GSP schemes by eliminating or lowering tariffs, extending product coverage, simplifying procedures, harmonizing and liberalizing rules of origin and eliminating conditionalities and quantitative restrictions. The possibilities for extending preferences in new areas such as services and investment should be studied.] or [Preference-giving countries are invited to adjust their schemes to enable benefits to be concentrated more on the poorest and most marginalized. Developing countries that have reached income levels comparable to those of donor countries should introduce GSP schemes themselves. Ways of streamlining rules of origin to ensure effective utilization of GSP schemes by LDCs should be investigated.] [Criteria for country graduation should be established in consultation with developing countries.]

59. [In the area of services, the objective should be to achieve substantial liberalization in sectors and in modes of supply of export interest to developing countries, particularly the movement of natural persons. Recognizing that the services sector of most developing countries is at an early stage of development, assistance would be required in fostering the development of this sector in these countries.]

60. [Appropriate technical cooperation should be extended] [Governments, especially those of developed countries, as well relevant international organizations, should extend appropriate technical cooperation] to developing countries and countries in transition, including those not members of the WTO, to enable them to participate more effectively in the international trading system. [For WTO members, this should include assistance to enable them to exercise their rights and meet their obligations in the WTO, as well as to developing countries and interested countries in transition in the process of accession to the WTO.] [In this connection, these countries should be given every

opportunity to achieve accession on balanced terms consistent with their economic development, trade and financial situation.]

61. [Governments involved in regional economic arrangements should ensure these are consistent with the development of the multilateral trading system. Such arrangements should not be detrimental to non-participants, and should endeavour to promote global growth.]

62. [The international community should take action, as appropriate, to minimize the difficulties of developing countries, especially the least developed countries, and of the countries in transition in adjusting to the changes introduced by the Uruguay Round Agreements. The Marrakesh Declaration and Decision on Measures in Favour of the Least Developed Countries should be [fully implemented] [implemented as soon as possible]. In considering the Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on LDCs and on Net Food-Importing Developing Countries, [concrete action should be taken in favour of those LDCs and net food-importing developing countries which qualify for preferential treatment and assistance as a result of this Decision] [should be effectively applied]. [Appropriate measures should also be adopted to mitigate the adverse effects of the Uruguay Round Agreements on developing countries and in particular LDCs].]

63. Trade liberalization should continue. This [would] [should, where relevant,] improve [market access for the exports of developing countries] or [the export prospects for developing countries and countries in transition]. Further liberalization should also include a substantial reduction of barriers to trade and [the elimination of discriminatory and protectionist practices in international trade relations] [be consistent with appropriate multilateral trade rules in the WTO].

64. [The pursuit of the built-in future agenda contained in various Uruguay Round Agreements, as well as the way in which the international community deals with "new issues", should be carried out in an equitable and balanced way that takes into account the development needs and requirements of developing countries.] [Priority should be given to implementation of the Uruguay Round Agreements, especially with regard to areas of interest to developing countries, before moving into new areas. The Singapore meeting should accelerate the process of universalization of WTO.]

65. Governments should have as their objective to ensure that trade and environmental policies are mutually supportive for sustainable development. [The treatment of global environmental issues should be in the framework of multilateral environmental agreements (MEAs) and based on the principles of

necessity, effectiveness, transparency, [the least possible restriction on trade,] and common but differentiated responsibility.] [Protectionism should not be carried out under the guise of environmental measures; domestic policies should take into account transparent and less trade-distorting alternatives that would achieve the same environmental policy goals.] or [Trade policy measures for environmental purposes should not constitute a means of arbitrary or unjustifiable discrimination or a disguised restriction on international trade.] Positive measures, including improved market access, improved access to finance, transition mechanisms, access to and transfer of technology, capacity-building and special provisions for small firms and for some sectors can be valuable instruments in assisting developing countries to meet the targets of MEAs. It is important to explore the scope for incentives that encourage trade in environmentally friendly substitutes, voluntary mechanisms for foreign direct investment and technology transfer, and market-based instruments. [There is also a need to explore the scope for mutual recognition and equivalences at an appropriate level of environmental protection.] Unilateral actions to deal with environmental challenges outside the jurisdiction of the importing country should be avoided.

[65 bis. Unilateral actions that restrict trade imposed by the developed countries to address environmental problems outside their borders should be eliminated, including restrictions deriving from foreign PPM-based requirements, in the spirit of Agenda 21 and principle 12 of the Rio Declaration. In this connection, measures aimed at solving cross-border or global environmental problems should be based on multilateral environmental agreements with broad geographical representation. It should be taken into consideration that the developing countries need technical and financial assistance to improve their environmental standards.]

66. [In line with Rio Principles 2, 8 and 16, action should be taken to: (a) promote the establishment of a voluntary trust fund to encourage the production and trade of environmentally advantageous natural products through appropriate measures; and [(b) promote increased flexibility in the conditions of access to the Global Environmental Facility, so as to enable it to deal with environmental problem areas such as rehabilitation of mining sites and mineral processing facilities.] or [(b) New and additional sources of funding are needed to strengthen the Global Environmental Facility, and consideration should be given to the inclusion of environmental situations not currently covered]]

67. [All countries should endeavour to cooperate, [including] within the framework of relevant multilateral agreements, to [eliminate policy distortions which impede] [promote] horizontal and vertical diversification by commodity-dependent developing countries, especially the least developed among them, and

to facilitate the access of these countries to finance and technical cooperation for diversification.] Donors [are encouraged to continue to] [should continue to] provide financial assistance for diversification in the commodity sector of developing countries. [Compensation should be provided for shortfalls in export earnings of least developed countries, without conditionalities.]

67 bis. [Further action aimed at reducing the instability and risks faced by the commodity-export-dependent developing countries should include the reduction of subsidies for domestic over-production of agricultural commodities.] or [All economies should endeavour, where possible, to reduce trade-distorting agricultural subsidies. This will have a positive impact on the sustainable development of commodity-dependent countries.] or [Further action should be considered to reduce the instabilities and risks faced by the commodity and export dependent developing countries. This will have a positive impact on their sustainable development.]

68. Donors should endeavour to cooperate with producer countries to facilitate the introduction of risk management instruments through institution-building, training and familiarization, as well as adaptation of local banking systems.

69. Donors are invited, in accordance with General Assembly resolution 49/142, to give particular attention and support to the commodity diversification efforts of African countries. States which participate in the African Development Bank are invited to consider making their initial contributions as soon as possible, in accordance with the negotiated seventh replenishment of the African Development Fund.

70. [The Common Fund is invited to explore possibilities to contribute to commodity-sector diversification projects, as well as to promote commodity market development, particularly in favour of the least developed countries. Sustainable commodity development is a further important area in which the Common Fund could make an important contribution. Increasing commodity prices and export earnings from abnormally low levels is an issue requiring serious and urgent attention of [the international community] [Fund Members].]

70 bis. [Donor countries and multilateral institutions are [urged to] [invited to consider] financing UNCTAD's technical cooperation programmes and projects outlined in the tripartite technical cooperation framework.]

### **3. Promoting investment and enterprise development**

71. Developing countries and interested countries in transition are encouraged to develop or strengthen their national strategies for fostering enterprise

development, including through improvements that result in a sound regulatory framework for their development, with particular focus on small and medium-sized enterprises. In doing so, they are encouraged to broaden and deepen their dialogue with their business community, so as to ensure that the enterprise development strategies take into account the needs of the private sector.

71 bis. In order to attract FDI, host countries are [required] [invited] to continue initiatives in such areas as stable macroeconomic management, [good governance,] quality of labour, improvement of infrastructure, entrepreneurial and institutional capabilities and simplified administrative and regulatory frameworks.

[72. The least developed countries need supportive measures to complement their efforts to encourage and sustain larger FDI flows. Such support measures should include: assistance to enhance LDC's capacity to attract FDI, such as increased aid for improving physical infrastructure, human resource development and designing and implementing further improvements in the regulatory and incentive frameworks; and providing incentives and guaranties to TNCs in the home countries of FDI.]

[72 bis. In addition, home countries of FDI should not introduce policies which inhibit the flows of FDI from their countries.]

[72 ter. In order to assist enterprise development, developing countries need to establish an appropriate capital market infrastructure. In the absence of economies of scale, regional cooperation in this field should be enhanced.]

[72 quat. Policies and measures need to be adopted by the developed countries' Governments to ensure that the dynamism, global resources and vast capabilities of the TNCs are harnessed and directed towards indigenous technological capacity-building in developing countries and for the expansion of export opportunities and access to competitive structures and tools, such as information and transport networks, distribution and marketing channels, for them. The trade-restrictive and anti-competitive effects of TNC actions also need to be contained.]

[73. Multilateral and bilateral donors are [invited] [required] to [continue to] provide [appropriate] [adequate] financial support and technical assistance for the implementation of national strategies for enterprise development, and in particular for enhancing the availability of funding to small and medium-sized enterprises.]

74. International institutions and Governments are invited to provide targeted assistance for the creation and strengthening of domestic enterprises of the



developing countries through policies and measures to ensure market access for the growth of enterprise in developing countries; to provide access to information networks by enterprises; to enhance the transfer of technology to the developing countries through international trade and economic cooperation; [to encourage TNCs and other enterprises of developed countries to invest in developing countries;] [thereby helping developing countries to attract FDI] [to strengthen support for R&D systems in developing countries;] and to contribute to regional and interregional cooperation on enterprise development.

### III. THE CONTRIBUTION OF UNCTAD TO [SUSTAINABLE] DEVELOPMENT

[75. The speed of change visible in many aspects of contemporary life carries with it the risk of divergent tendencies among States detrimental to the goal of building consensus around the main elements of international cooperation for development. [In an era of fast-paced economic activity and increasing interdependence among nations, the international community is challenged to establish a new consensus around the goals and mechanisms of international development cooperation.] In consequence, UNCTAD's long accepted role as the [principal forum for policy analysis, dialogue on global interdependence, preparing the agenda for future multilateral negotiations and] [forum for] consensus-building on development issues has become more pertinent than ever. [Furthermore, by identifying at an early stage the salient aspects of shifts in international economic relations, and analysing their possible consequences for development, UNCTAD can act as an early-warning system for developing countries.]]

[75 bis. Liberalization, globalization, the conclusion of the Uruguay Round and the establishment of WTO necessitate adaption of UNCTAD'S work to new economic realities. Sustainable development, poverty alleviation, LDCs and ECDC should constitute cross-cutting issues in UNCTAD'S work. While concentrating on its main activities and objectives, UNCTAD should pay due attention to the outcome of the global conferences on environment, social development, population and women.]

[75 ter. UNCTAD should facilitate sustainable development through trade and investment, and, in a cooperative and complementary manner with WTO, the participation of developing countries in the international trade system. UNCTAD'S work should be development-related and action-oriented and provide guidance for national policies and regulatory frameworks conducive to trade and enterprise development. It should concentrate primarily on the needs of the LDCs, that are, in their majority, situated in sub-Saharan Africa. UNCTAD should focus its activities on analytical work, enhanced by exchanges of views and experiences in liaison with the private sector, NGOs and the academic world which should lead to practical outputs, including technical assistance.]

[Replace 75. The forces of globalization and liberalization have necessarily had an impact on global circumstances. Increasingly it is recognized that trade and investment contribute significantly to economic growth which, in turn, provides countries with the means to continually improve social and environmental conditions and to reduce poverty. This highlights the importance to the development problematique of improving the integration of developing countries and countries in transition into world trade. UNCTAD can make a significant

contribution to development by enabling developing countries, and in particular the least developed among them, to be full and active participants in world trade.]

[76. [In contributing to national capacity-building,] UNCTAD should provide technical cooperation to developing countries [especially LDCs] [and interested countries in transition] aimed at [enhancing their policy-making capacity which can enable] [enabling] them to derive maximum [and prevailing] benefits from emerging opportunities in the fields of [finance,] trade, investment and technology [based on the results of the analytical work of UNCTAD.]]

[Replace 76. With this objective as its focus, over the next four years UNCTAD should concentrate its efforts on a few key areas:

- (1) International trade, particularly as a development instrument, including: commodities issues; trade, environment and development; trade preferences; new trade issues; and capacity-building aimed at full integration of developing countries into world trade;
- (2) Investment, enterprise development and technology;
- (3) Services infrastructure for development and trade efficiency.

Attention to these issues will require some combination of analysis by the secretariat, expert discussion, consensus-building, and technical assistance, although all these methodologies need not be used to deal with each issue.]

[76 bis. UNCTAD should also provide a forum for annual discussion of broader trade and development issues. For the next four years, special attention should be given to analysing successful developmental experiences and drawing out the lessons to be learned from them, as well as to the situation of the least developed countries and those in low-income sub-Saharan Africa. Areas in which UNCTAD has proven expertise in providing technical assistance, such as on debt management, should also be continued.]

[76 ter. This kind of focus - giving UNCTAD four years to specialize more concertedly in these critical areas - should significantly increase its impact on development, thereby increasing its importance in the international system.]

[77. UNCTAD's functions in action-oriented policy analysis, consensus-building, exchange of experience, policy dialogue, design of appropriate development strategies and technical cooperation should be carried out in the following areas:

- Globalization and development;
- Investment, technology and enterprise development;
- International trade, including commodities;
- Services for development and trade efficiency.]

[77 bis. UNCTAD activities in those four areas of work should consist of: (a) research and analysis designed to identify relevant issues and their possible consequences for development; (b) policy dialogue and consensus-building on those issues; and (c) technical cooperation aimed at enabling developing countries to derive maximum benefits from emerging opportunities in the work areas specified above.]

#### **A. [Globalization and development]**

78. One of the main challenges for UNCTAD in the years ahead will be to facilitate the process through which developing countries utilize the benefits of globalization to accelerate the attainment of the objective of sustainable development. For this purpose, it will be necessary first to monitor how some of the basic elements for sustainable development evolve and interact in an increasingly globalizing world economy, and to track changes in those interactions. Secondly, it will be necessary to evaluate the impact of these elements on the development process, seek new opportunities for the furtherance of development resulting from globalization and liberalization, and provide policy approaches and actions to help developing countries integrate into the world economy and achieve sustainable development.

[79. In the field of [globalization and development], [UNCTAD should analyse trade and investment from a development perspective and concentrate on specific micro and macro issues related to the globalization process, particularly its impact on development]. Toward this end, UNCTAD should engage in analysis, policy dialogue and consensus-building.]

[80. This cluster of work will [primarily] support annual [trade and development policy discussions], including those based on [the trade and development] report. [Throughout, poverty alleviation should remain a key [objective] and concrete opportunities to promote it should be [identified], and possibilities for economic and/or technical cooperation among developing countries should be pursued.] [This work will focus on the following:]

- [(i) Examining successful development experiences, drawing out the lessons that may be of value to other countries, particularly the least developed, and identifying policy options; and [promoting] South-South cooperation, in partnership with the donor community, in this regard.]

- (ii) Monitoring implementation of the Programme of Action for the Least Developed Countries for the 1990s.

[Towards the end of [the four years between UNCTAD IX and X], preparing for a global review and appraisal of the implementation of this Programme.]

[Should the fifty-second General Assembly agree to the holding of a third conference, preparing for this conference.]

- (iii) [Identifying concrete proposals], in cooperation with other relevant organizations in the United Nations task force for Africa, for the effective implementation of the UN-NADAF.

[(iv) Encouraging the exchange of relevant experiences among [interested] economies in transition, particularly on institution-building and the establishment of market mechanisms.]

[(v) Analysing the debt problems of developing countries with a view to identifying effective, equitable, development-oriented and durable solutions.]

[(vi) Analysing the issue of poverty alleviation to identify suitable policies and measures, in cooperation with other relevant UN organizations and the Bretton Woods institutions.]

[(vii) Acting as the focal point on [economic and technical cooperation among developing countries.]]

#### **B. Investment, enterprise development and technology**

81. UNCTAD should continue to provide a forum for intergovernmental discussions, with the participation of representatives from the private sector, concerning issues related to privatization, enterprise development and international flows of investment. In particular, UNCTAD should promote the international dialogue among development actors for the purpose of assessing the challenges and opportunities for enterprise development arising from the emerging new economic conditions, including the post-Uruguay Round environment.

82. This set of activities will focus on investment, enterprise development and the participation of enterprises in the global economy, and issues related to technology for development. It will focus on the following issues:

Investment

- (a) Improving general understanding of trends and changes in foreign-direct-investment (FDI) flows and related policies, the interrelationships between FDI, trade, technology and development, and [the contribution of transnational corporations to development in this regard] [issues related to transnational corporations];
- (b) [Identifying and analysing implications for the development of developing countries of issues relevant to a possible multilateral framework on investment;] [Undertaking preliminary work on identifying and clarifying issues of interest to developing countries concerning a multilateral framework on investment, bearing in mind the work undertaken in other organizations;]
- (c) [[Assisting developing countries in] [Undertaking investment policy reviews [for] [with] member countries that so desire in order to familiarize other Governments and the international private sector with an individual country's investment environments and policies and identify options for further action;]]
- (d) Enhancing the capacity of developing countries and countries with economies in transition to improve their overall investment climate, to obtain relevant information and to formulate policies to attract, and benefit from, FDI. Attention should also be given to assistance in the area of accounting standards and accounting education and related activities;
- (e) Promoting opportunities for FDI in host countries by facilitating the exchange of experiences on investment promotion and the benefits from FDI;
- (f) Promoting investment among developing countries;

Enterprise development

- (g) [[Intensifying and broadening its activities to assist] [Assisting] countries with entrepreneurship development (EMPRETEC-21) [and reform of public sector enterprises];]
- (h) Facilitating the exchange of experiences on the formulation and implementation of enterprise development strategies, including questions related to privatization, and of experiences with regard

to public sector/private sector dialogue and cooperation; [and the participation of enterprises in the global economy; in the light of the above, and upon request, enterprise development missions should be organized, in collaboration with other relevant organizations, especially for the least developed countries;]

- (i) [[Identifying and] analysing in detail the specific contribution foreign direct investment can make to indigenous enterprise development.]

#### Technology

- (j) Undertaking, [pursuant to] [in the spirit of] ECOSOC resolution E/1994/4, science, technology and innovation policy reviews with interested countries in order to [draw appropriate lessons] [familiarize other Governments and the international private sector with individual countries' science, technology and innovation environment policies] and to identify [options for further action.] [the specific policies and incentive measures necessary to promote technological capability-building in the enterprise sector.]
- (k) [Facilitating and promoting the identification of measures for fostering technological capacity and innovation, transfer and diffusion of technology to developing countries, and the exchange of experiences among countries at different levels of technological development.]
- (k alt) [Through an exchange of experiences among countries at different levels of technological development, identifying policies which developing countries should implement to favour technological capacity and innovation, and the transfer and diffusion of technology to them;]
- (l) [Providing analytical and other support, in cooperation with WTO and WIPO, to developing countries in the implementation of the TRIPs and TRIMs agreements;]
- (m) [The Conference recognizes that intellectual property protection constitutes an important component of an environment conducive to international transfer of technology, including foreign direct investment. It notes the need to provide developing countries with assistance in the implementation of the provisions of the TRIPs Agreement, particularly within the transitional period. To this

effect, it encourages UNCTAD, in cooperation with appropriate international organizations, to provide inputs and technical cooperation to developing countries, in particular to the least developed countries, in order to facilitate the application of its provisions;]

- (n) Providing technical assistance in technology development, including accessing information technology, and disseminating relevant information through an information system and networking.

83. In these activities, in particular in the area of entrepreneurship, investment and enterprise development, UNCTAD should take into account the work done by other international organizations, specifically WTO, ITC, UNIDO and the World Bank Group, in order to enhance synergies, avoid duplication and coordinate related activities. [UNCTAD should also endeavour to [reach operational agreements] [develop joint programmes] with these organizations.]

[84. UNCTAD should establish a financing mechanism to channel foreign private capital flows to LDCs and the African continent. This would involve rounding up private capital to be invested in direct investment projects in LDCs and Africa.

- This funding mechanism would comprise:
  - A venture capital fund made up of private capital and to be used to finance investments in various forms (acquisition of share holdings in enterprises, joint ventures, project finance, build, own and operate (BOO), build, operate and transfer (BOT), etc.) in Africa and the LDCs and modelled on the "Wordtel" investment fund recently launched by ITU;
  - A system of tax incentives offered by the Governments of developed countries, involving complete or partial tax exemption of capital and income from capital invested through this mechanism. This would constitute a sort of GSP, but for investments in African countries and LDCs.
- UNCTAD is an appropriate forum for discussing, launching and implementing such an initiative, even if the offering, underwriting and management of this LDC venture capital fund are by definition within the purview of the private sector. The discussion of this mechanism in UNCTAD, with a view to reaching a consensus, should result in:



- A technical and financial feasibility study;
  - A formalized agreement between the various parties;
  - The launching of a "pioneer" fund to pave the way for other initiatives using the procedures provided for by this mechanism.
- Land-locked countries should benefit from this extension of the special UNCTAD Programme for LDCs.]

**C. International trade in goods and services, and commodity issues**

85. UNCTAD's main role in the field of trade in goods and services should be to help maximize the positive impact of globalization and liberalization on sustainable development by assisting in the effective integration of developing countries and economies in transition into the international trading system and addressing commodity issues, including the problems created by commodity dependence. Particular [priority] should be placed on fully utilizing the opportunities created by the Uruguay Round Agreements [together with the assessment of the impact of these agreements]; analysing the development implications of the built-in work programme in the Agreements; [strengthening the negotiating capacity of the developing countries;] preferences; [assistance to non-WTO members in gaining accession;] trade, environment and development; [trade and competition;] [trade and investment;] [regional integration;] commodity exports [particularly] of LDCs; diversification and risk management; and [efficient] [sustainable] management of natural resources.

[86. This cluster of work will be aimed at enhancing the integration of developing countries, particularly LDCs, [and of interested countries in transition] into world trade. It will include issues related to commodity dependence. This work will focus on the following:

- (i) Enabling these countries to derive maximum benefit from available trade opportunities by:
  - Analysing the impact of the Uruguay Round in goods and services on development and further multilateral trade liberalization;
  - Capacity-building to enable WTO members to adjust effectively, meet their obligations and take advantage of their rights, in cooperation with the WTO;

- Assisting non-members with the process of accession to the WTO, in cooperation with the WTO;
  - Identifying impediments to trading success, including barriers to export diversification;
  - [- Analysing [technical] issues related to trade in services, including sector analyses]
  - Providing a forum for discussion of issues related to trade preferences, including exploring opportunities for maximizing their impact;
- (ii) Facilitating the more active engagement of these countries in WTO discussions and in further negotiations by:
- Working with them to identify their interests regarding issues on the WTO built-in agenda, including those related to possible future trade liberalization and improved disciplines;
  - Analysing the new and emerging trade issues from a development perspective, thereby facilitating consensus-building on these issues;
  - [- Analysing the development dimension of the TRIPs Agreement, including its social, economic and technological impact on developing countries];
- [(iii) Examining issues related to competition law of particular relevance to development:
- Continuing analytical work on restrictive business practices;
  - Assisting these countries to formulate competition policies and legislation;
  - Institution-building;
  - Focusing on Africa by holding a regional meeting, creating relevant inventories and data bases, and establishing a technical cooperation programme];

- (iv) Promoting the integration of trade, environment and development, in close cooperation with UNEP and WTO, by:
- Continuing to act as task manager to the Commission for Sustainable Development;
  - Facilitating expert discussion on work in other relevant intergovernmental and non-governmental organizations on the issue of multilateral guidelines for eco-labelling programmes with a view to taking into account the interests of developing countries and countries in transition;
- [- Analysing the issues related to the TRIPs Agreement and the environment, including with case studies];
- Providing technical cooperation, including at the regional level;
  - Analysing, in cooperation with UNEP, issues of interest to developing countries related to multilateral environmental agreements;
- [(v) Analysing regional economic arrangements, [including with case studies,] particularly their possible implications for sustainable development [and for the multilateral trading system];]
- [(vi) Working with other relevant international organizations in the implementation of the Uruguay Round Final Act Decisions on Measures in Favour of the Least Developed Countries and on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed Countries and on Net Food-Importing Developing Countries;]
- (vii) Addressing issues of particular relevance to commodity-dependent countries by:
- Examining successful commodity diversification experiences;
  - Promoting the exchange of information among producers and consumers;
- [- Creating an international commodity observatory to address market instability];

- Analysing trends in commodity markets to supplement information available in the private sector;
- [- Examining the usefulness and feasibility of expanding the use of warehouse receipts];
- [- Assisting producers make use of risk limiting instruments.]]

[86 bis. UNCTAD should continue its special role in the field of trade and the environment, including analytical and empirical work, policy analysis and consensus-building, in close cooperation with UNEP and WTO, and in this context the Conference [endorses the recommendations agreed upon in UNCTAD to this effect concerning areas for UNCTAD's future work.] [UNCTAD should continue its joint work programme with UNEP, at a technical level with a focused agenda.]]

**D. [Services infrastructure for development and trade efficiency]**  
**[Development of trade-supporting infrastructure services and trade efficiency]**

87. UNCTAD's primary role in this sector is to assist developing countries, particularly the least developed countries, and countries in transition in generating trade-supporting services such as customs, transportation, banking and insurance, telecommunications or business information which are adapted to their particular requirements, with a particular focus on services addressing the needs of the [informal,] micro, small and medium-sized enterprise sectors. UNCTAD should review and assess progress with the trade efficiency initiative, including the experience gained so far in the working of trade points and their inter-operability. Rapid data transmission and reliable data protection are necessary for enterprises, large and small, if they are to be competitive. Access to information technology is important to enable countries to benefit from globalization. Free flow of information should therefore be encouraged. UNCTAD should consolidate the Trade Point Network by making Trade Points fully operational and effective and by assisting interested countries, in consultation with them, in establishing new Trade Points.

[88. [Technical assistance should continue to be provided to] [UNCTAD should enhance the capacity of] developing countries and countries in transition to [build up their capacities to] provide efficient trade supporting services, through programmes such as ACIS, ASYCUDA, TRAINMAR [or the Global Trade Point Network]. [further technical and financial support to make trade points fully operational and effective.] [In addition], UNCTAD should enhance the capacity of Trade Points [so that they can] [to] function as information and training centres [, together with the ITC,] for small and medium-size enterprises] [should

assist in setting up new trade points in interested countries]. [The viability of trade points in LDCs should be evaluated.] [UNCTAD should cooperate closely with the ITC in carrying out these activities.]

[89. UNCTAD should promote systematically the use of market mechanisms based on the use of concrete, tested and reproducible models which recognize existing experiences of partnership among grass-roots organizations, local business communities and governments at different levels. In particular, it should pursue the development of practical tools geared towards income generation for small, micro and informal entrepreneurs, [such as the Micro Business Point].]

90. In order to provide practical support to entrepreneurs in developing countries, UNCTAD should follow up on the results of the United Nations International Symposium on Trade Efficiency (UNISTE), held at Columbus, Ohio, in October 1994. [It should facilitate trade efficiency reviews by establishing a Trade Efficiency Review Mechanism (TERM) to identify problem areas and options for action, and analyze the development dimensions of, and needs with regard to, the emerging Global Information Infrastructure (GII), and take appropriate action.]

#### **E. Technical cooperation**

[91. UNCTAD's technical cooperation programme should be [strengthened as an essential] [a] complement to [and to disseminate information on] the institution's policy-oriented analytical work. It should aim at enhancing the capacity of [developing] countries to promote their own development process and to formulate policies and measures designed to have a direct impact on development. [Least developed countries] [Least developed and other small vulnerable economies) should be the major beneficiaries [and a special Trust Fund should be established for this purpose]. Human resources development [and institutional infrastructure] should figure prominently in the capacity-building component of technical cooperation activities.]

[91 bis. Strengthening UNCTAD's technical corporation programme to enhance the developing countries' human and institutional capacities requires an increase in the financial resources allocated to these activities under the regular budget. Extrabudgetary resources, which play a crucial role in this field, should also be increased. UNDP and the donor community are invited to give favourable consideration to financing technical assistance programmes formulated by UNCTAD to help developing countries.]

[92. [Donors' round tables on integrated country programmes should be organized as a tool for reinforcing the coherence of technical cooperation in the area of

international trade. In this context,] efforts to strengthen the cooperation between UNCTAD, WTO and the International Trade Centre should be pursued and enhanced, and [the dissemination of information on ongoing programmes should be organized] [information on ongoing programmes should be disseminated] among donors and executing agencies. [UNCTAD should be the focal point for technical cooperation among these bodies]]. [Modalities of technical assistance should be streamlined.]

[92 bis. The Conference encourages UNCTAD to continue its technical assistance programme on trade, environment and development and to contribute to the informed and effective participation of developing countries in international deliberations. Country case studies constitute a relevant tool in examining the effects deriving from the linkages of environmental and trade policies, both at the national and international levels. The Conference further encourages the constitution of these studies by UNCTAD in cooperation with UNDP and UNEP.]

[93. UNCTAD's technical cooperation programmes should be strengthened as an essential complement to the institution's policy-oriented analytical work. It should be demand driven and aim to enhance the institutional and human capacity of countries to promote their own development process and to formulate policies and measures designed to have a direct impact on development. Least developed countries should be the major beneficiaries.]

[94. With a view to achieving the above-mentioned objectives, it is essential to intensify and strengthen cooperation between UNCTAD, WTO, ITC and other relevant organizations, with the aim of fully utilizing existing strengths, increasing the combined impact, exploiting complementarities and creating new synergies while avoiding unnecessary overlap.]

[95. Round tables with donors, beneficiaries, executing agencies and the private sector should be organized in order to allow for coherent division of labour among the various agencies involved in trade-related technical cooperation, in particular UNCTAD, WTO and ITC. This mechanism would allow for joint designing, implementing and monitoring of integrated trade-related technical cooperation programmes at country or subregional levels.]

[96. The flow of information on ongoing programmes should be improved. UNCTAD should initiate the gathering of information on trade-related technical cooperation and ensure its dissemination among beneficiaries, donors and relevant executing agencies. This should further increase the transparency and effectiveness of technical cooperation.]

[97. UNCTAD's technical cooperation should concentrate on the following areas:

[Investment: the technical cooperation should help recipient countries to improve their investment regime and attract foreign capital. Programmes should also include entrepreneurship development, including accounting and related activities;]

[Trade: the technical cooperation should aim to enhance institutional and human capacities in order for developing countries to comply with the new obligations arising from WTO membership or assist developing countries and economies in transition to accede to the WTO, as well as to formulate and implement future trade policy. Programmes should also include trade promotion, diversification, assistance in sustainable commodity use and risk management;]

[Trade-supporting services: the technical cooperation should assist developing countries through programmes such as ACIS, ASYCUDA, TRAINMAR or the Global Trade Point Network. In addition, programmes should enhance the capacity of Trade Points to function as information and training centres for small and medium enterprises;]

[UNCTAD should also continue its technical cooperation on debt management with its DMFAS programme.]

#### IV. THE FUTURE WORK OF UNCTAD; INSTITUTIONAL IMPLICATIONS

##### A. UNCTAD in a new institutional context

[98. On the basis of UNCTAD's mandate and what has been reflected in previous sections, the Conference recognizes the need to revitalize and remodel its intergovernmental machinery to make it more responsive to the needs of a rapidly changing world economy.]

[98 bis. Sustainable development can be most easily advanced when available resources are devoted to programmes that provide practical benefits to developing countries. The United Nations and other international organizations that have a role in promoting international development are being directed by their member States to reduce their bureaucracies, eliminate their functions that overlap with other international organizations, set clearer priorities, streamline their budgets and staffs, and reduce the number of meetings and documentation so that scarce resources can be devoted to the most urgent development tasks. Some steps have been taken to promote these objectives in UNCTAD. The Cartagena Commitment instituted major policy and institutional reforms which should render UNCTAD's work useful and relevant to the needs of member States. However, a considerable amount remains to be done.] [UNCTAD should keep and further develop its universal character.] [When establishing the specific work programmes, special attention shall be paid to their relevance and their development impact for the LDCs.]

##### B. The intergovernmental machinery\*

99. The intergovernmental machinery needs to be structured in accordance with UNCTAD's future work programme, which will be more sharply focused on [those] [a small number of] issues of central importance to [sustainable] development on which it can make a substantial impact. The intergovernmental machinery will therefore be tightly structured so as to reduce the number of meetings, encompassing all important areas of the work programme. The resources should concentrate on programmes of interest and practical value to developing countries [in particular LDCs].

100. In carrying out the activities, cross-sectoral issues such as the problems of LDCs, [poverty alleviation, economic cooperation among developing countries,] sustainable development and the empowerment of women should be

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\*Text submitted by the President of the Trade and Development Board as a result of informal consultations.



integrated in the work of the intergovernmental machinery. [The intergovernmental machinery will also need to ensure the continuous, timely and effective management, including coordination and oversight, of the work done concerning these issues.]

101. In endorsing recommendations 431 (S-XVIII) adopted by the Trade and Development Board at its eighteenth special session (December 1995), the Conference decides that the structure of the intergovernmental machinery will be as follows:

- (a) The Board is responsible for ensuring the overall consistency of UNCTAD's activities with agreed priorities. It will set or adjust the priorities for the period remaining up until the next session of the Conference. It will also set benchmarks and evaluate performance on this basis. To this end, it will ensure that UNCTAD's budget, programme of work, technical cooperation activities and publications policy are carefully scrutinized and their transparency enhanced. It will also ensure that the activities of its subsidiary bodies are in conformity with their mandates, carefully coordinated with other relevant international organizations and not duplicative of other bodies. The Board will also ensure that the calendar of meetings is carefully regulated and the number of meetings within UNCTAD's scope of activity reduced. The Board has the particular responsibility to ensure UNCTAD is operating in the most cost-efficient manner possible. It will also provide the Secretary-General of UNCTAD with recommendations on the allocation of resources to the various elements of UNCTAD's work programme. [In these tasks, the Board will be assisted by its Working Party on the Medium-Term Plan and the Programme Budget.][The Board will be assisted in these tasks by the Working Party on the Medium-Term Plan and the Programme Budget, which will be raised to the status of a committee and be given a clearly defined mandate by the Board.]
  
- (b) In executing its mandated functions, the Trade and Development Board will meet in regular or executive sessions. The regular session of the Board will be convened in one part in autumn for approximately 10 working days. At that session, a segment should be included to deal with a substantive policy item with a view to attracting high-level participation. Personalities from the public, private/business and academic sectors in areas related to UNCTAD's work should be invited to attend. At its regular session, the Board will continue to deal with interdependence and

global economic issues from a trade and development perspective. It will also review at its annual session progress in the implementation of the Programme of Action for the Least Developed Countries and of the United Nations New Agenda for the Development of Africa. The Board will also act to ensure better horizontal coordination. In doing so, special attention should be given, at least for the coming few years, to the examination of policy lessons drawn from the successful development experiences.

- [(c) [The Board will carry out every year an evaluation of technical cooperation activities.] [The Board will carry out an ongoing review of technical assistance activities and issue a formal report on them no less than once a year.]
  
- [(c) The Board can set up subsidiary bodies, known as Commissions. The Trade and Development Board will set clear and specific terms of reference for the Commissions and examine and evaluate their work: it can not only create new bodies but also abolish existing ones, on the basis of the priorities of the Organization and of the work accomplished. It will examine the reports of the different bodies in order to draw elements for development perspectives to reach operational conclusions and to determine the direction of new work. In addition, every year the Board should review an annual programme for the planned technical assistance activities of UNCTAD.]
  
- [(c) The Board has the overall responsibility over UNCTAD's technical cooperation programme. It gives the general direction and evaluates the programme. It is also responsible for ensuring transparent and cost-effective use of resources in order to maximize the impact of UNCTAD's technical cooperation. The Board is assisted in this task by the Working Party on the Medium Term Plan and the Programme Budget.]
  
- (d) The Board could meet in executive session three times throughout the year, with six weeks prior notice, to deal with policy as well as management and institutional matters and when it is agreed that there are urgent matters that cannot be deferred to the regular session. Executive sessions will normally be confined to one-day's duration, as foreseen in the Cartagena Commitment.
  
- (e) The Bureau of the Trade and Development Board will be elected at each regular session to serve for the whole year and shall be

authorized to despatch housekeeping business, including administrative and procedural matters, when the Board itself is not in session.

- (f) The Board will have a smaller number of subsidiary bodies. Its immediate subsidiary bodies which will be known as Commissions will perform integrated policy work on a whole range of UNCTAD programmes in their respective areas of competence. Sessions of the Commissions should be as short as possible, not exceeding five days. The Commissions will have specific mandates and greater delegation of decision-making on matters of substance.

102. The Commission on Trade shall deal with aspects of trade as an instrument for development and issues of commodities.

Proposed amendments

102. The Commission on Trade [Sustainable Development and Commodities] [shall] [will] deal with [commodities, trading opportunities/analysis of Uruguay Round agreements, trade and environment, GSP, trade efficiency and competition policy] [*inter alia* with those aspects of international trade which are specified in chapter III]. [aspects of trade as an instrument for development and issues of commodities.] [the following issues: commodities, preferences, trade, development and the environment and trading opportunities] [work to enhance the national capacities of developing countries to engage in international trade.]

[102 bis. The Commission on Development to deal with poverty alleviation, ECDC, enterprise development and SMEs, regional integration, science and technology for development, and technical cooperation.]

103. The Commission on Services for Development shall examine the role of the services sector in development with a particular focus on insurance, transportation, trade efficiency, and services specifically geared to the integration of the poor.

Proposed amendments

[103. The Commission on [Trade Efficiency and] Services [for Development] shall examine [the work in the Trade Efficiency area and] the role of the services sector in development with a particular focus on [insurance] [and transport.]; [transportation; trade efficiency; and services specifically geared to the integration of the poor.] [shall deal, *inter alia*, with the following issues:

trade efficiency, insurance, transportation, including shipping, information infrastructure for development and financial services.]

[New para. 103. The Commission on Services to deal with insurance, infrastructure and modes of transportation, commercial banking, movement of natural persons, financial services information and telecommunications.]

[103 bis. The Commission on Services for development will assist developing countries to develop their national services sector capabilities.]

104. The Commission on International Investment and Enterprise shall deal with entrepreneurship, including the development of SMEs and micro-enterprises, and investment issues in general.

Proposed amendments

[104. The Commission on [International] Investment and [Enterprise] [Development] shall deal with [[entrepreneurship, including the development of SMEs and micro-enterprises, [competitiveness] and [investment issues [in general]] [international and domestic investment issues and enterprise development with a particular focus on the development of SMEs and micro-enterprises.]

[New para. 104. The Commission on Financial Resources to deal with foreign debt, ODA, FDI, TNCs, domestic capital formation and resource mobilization, capital flows and risk management.]

[New para. 104 bis. The Commission on Investment and Resource flows shall deal, *inter alia*, with: enterprise development, privatization, FDI issues, transfer of resources, transfer of technology and debt conversion.]

[New para. 104 ter. The terms of reference of the Commissions referred to in paragraphs 102-104 above should be urgently established by the Board.]

[105. Commission on LDCs and Poverty Alleviation: The Commission will deal with issues relating to LDCs, land-locked and island least developed countries, poverty alleviation, UN-NADAF and ECDC.]

[105 bis. The measures and recommendations agreed upon by the Mid-Term Review should be fully implemented so as to ensure the success of the Programme of Action. Although LDC issues will be considered throughout the intergovernmental machinery, the Division on least developed, landlocked and small island developing countries should be strengthened to coordinate the sectoral work,

monitor the implementation of the Paris Programme of Action and provide inputs for review by the Trade and Development Board.]

106. Each Commission may convene expert meetings of short duration, not exceeding three days, the outcome of which need not be in the form of agreed conclusions. Technical matters discussed at the expert level should be reported to the relevant parent body, which may transmit them to the Board as appropriate. It would be for the parent Commission to consider their findings and to discuss the policy implications. Commissions should, when appropriate, make the results of expert meetings called under their auspices available to other relevant Commissions. Expert meetings should receive from the parent Commission precise terms of reference. The expert meetings should be organized in the form and with participation most conducive to the accomplishment of their tasks. [UNCTAD should promote the participation in expert meetings of persons from the academic world, the public and private sectors and NGOs, in line with what was agreed in paragraph 84 of the Cartagena Commitment.] [Special consideration should be given to the question of improving the participation of developing-country experts in UNCTAD technical meetings, including the question of financing their participation.] [Participation of experts should be financed through UNCTAD's regular budget and extra-budgetary resources.]

[New para. 106. The Conference considers fundamental the strengthening of the technical work within the intergovernmental machinery. For this purpose, the Commissions will convene annually a number of expert meetings on pre-determined substantive themes. Expert meetings should present the results of their work to the parent Commission. The expert meetings should be of short duration, not exceeding three days. These meetings will be limited in composition, enabling the participation, as observers, of delegations which so request. The Commissions will determine the modalities of the composition and functions of each meeting. The attendance of experts from developing countries will be financed under the regular budget of the Conference and by other innovative means, with the aim of ensuring their participation. The experts should be appointed by their Governments, have proven experience and academic background in the relevant topic and serve in their personal capacity.]

[106 bis. UNCTAD's work requires the full and effective participation of developing countries. In this regard, the institutional reform of UNCTAD should enable it to play a more pro-active role in assisting developing countries, especially those in Africa, LDCs and land-locked countries, to participate effectively in the global economy. In this context experts from developing countries should be financed to enable them to participate in technical meetings and UNCTAD activities.]

[107. The Conference decides to convene in the first instance the following [expert groups] [expert meetings]:

[To be completed]

[108 bis. Recalling paragraph 26 of conclusions and decisions 415 (XL) adopted by the Trade and Development Board on its mid-term review (May 1994), the Conference recommends that the work of the United Nations Commission on Science and Technology for Development be dealt with by the intergovernmental machinery created at the ninth session of the Conference.]

**C. [The involvement of non-governmental sectors in UNCTAD's operational activities]**

[109. To allow the effective participation of the civil society worldwide, as well as the private business sector, a Development Senate will be established with terms and modalities to be defined. The Development Senate will have advisory functions and will report to the Trade and Development Board. Its membership will comprise representatives of non-governmental organizations, the private sector (with an adequate share of representatives of small and medium-sized enterprises), and Governments. Particular attention will be given to ensuring the presence of members from developing countries and the countries in transition. Subject to its detailed establishment by the Trade and Development Board, the mandate of the Development Senate will focus on operational activities undertaken by UNCTAD.]

[110. The functioning of the UNCTAD secretariat needs to be rationalized so as to ensure coherence between the priorities established by the Conference, the intergovernmental machinery and its internal organization.]

Annex I (PROPOSAL)

[1. In this respect UNCTAD decides to launch a special programme for LDCs. This programme comprises two components: a public cooperation component and a private sector partnership component.

Public cooperation component

2. This component is based on the concept of UNCTAD as an instrument for the development of LDCs. A careful analysis of the comparative advantages of UNCTAD in the areas of technical assistance, support for development policy implementation and project execution should be carried out beforehand. Then, at the beginning of what might be a four-year period, each individual LDC, taking account of UNCTAD's strengths and of its own development priorities, should be responsible for determining its actual needs and formulating specific requests. This will represent a preliminary programme to be presented to bilateral or multilateral public donors (including the Bretton Woods institutions, regional development banks, various conventions, etc.), at a donor's round table. On the basis of the response to call for contributions, the special UNCTAD country programme is drawn up for the chosen period (possibly four years).

3. This procedure should be applied to each of the 48 LDCs. It has the advantage of involving each recipient Government in drawing up the programme, informing donors of the actual use to be made of funds and providing the secretariat with a clear view of its activities and funding for the selected programme implementation period (e.g. four years). The "bottom-up" approach also allows for better efficiency in programme formulation, execution, follow-up and evaluation.

Private sector partnership component

4. This component sets up a financing mechanism to channel foreign private capital flows to LDCs and the African continent. This would involve rounding up private capital to be invested in direct investment projects in LDCs and Africa.

5. This funding mechanism would comprise:

- A venture capital fund made up of private capital and to be used to finance investments in various forms (acquisition of share holdings in enterprises, joint ventures, project finance, build, own and operate (BOO), build, operate and transfer (BOT), etc.)

in Africa and the LDCs and modelled on the "Wordtel" investment fund recently launched by ITU;

- A system of tax-incentives offered by the Governments of developed countries, involving complete or partial tax exemption of capital and income from capital invested through this mechanism. This would constitute a sort of GSP, but for investments in African countries and LDCs.

6. UNCTAD is an appropriate forum for discussing, launching and implementing such an initiative even if the offering, underwriting and management of this LDC venture capital fund are by definition within the purview of the private sector. The discussion of this mechanism in UNCTAD, with a view to reaching a consensus should result in:

A technical and financial feasibility study;

A formalized agreement between the various parties;

The launching of a "pioneer" fund to pave the way for other initiatives using the procedures provided for by this mechanism.

7. Land-locked countries should benefit from this extension of the special UNCTAD Programme for LDCs.]