



**United Nations
Conference
on Trade and
Development**

Distr.
LIMITED

TD/B/46/L.1/Add.1
26 October 1999

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Forty-sixth session
Geneva, 18 October 1999
Agenda item 8

**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD
ON ITS FORTY-SIXTH SESSION**

Rapporteur: Mr. Xolisa Mabhongo (South Africa)

Agenda item 2 - Preparatory process for UNCTAD X

Speakers:

Secretary-General of UNCTAD
Morocco (for the Group of 77)
Thailand
Finland (for the European Union)
Islamic Republic of Iran (for the Asian Group and China)
Dominican Republic (for GRULAC)
Nigeria (for the African Group)
Australia (for JUSCANNZ, Republic of Korea, Turkey and Israel)
Japan
Switzerland
Third World Network
International Cooperation for Development and Solidarity

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
Requests for amendments to statements of individual delegations should be communicated by
Friday, 5 November 1999, at the latest to:
UNCTAD Editorial Section, Room E.8106, Fax No. 907 0056, Tel. No. 907 5656/5655

**PREPARATORY PROCESS FOR THE TENTH SESSION OF THE CONFERENCE:
ESTABLISHMENT OF THE COMMITTEE OF THE WHOLE**

(Agenda item 2)

1. For its consideration of agenda item 2, the Board had before it the following documentation:

“Ninth Ministerial Meeting of the Group of 77 and China - Plan of Action” (TD(X)/PC/4);

“Ninth Ministerial Meeting of the Group of 77 and China - Draft Bangkok Consensus” (TD(X)/PC/5);

“Guidelines for the participation of the European Union in the tenth session of the United Nations Conference on Trade and Development” (TD(X)/PC/6);

“Report of the Secretary-General of UNCTAD to UNCTAD X” (TD/380).

Opening statements

2. The **Secretary-General of UNCTAD** said that the preparatory process for UNCTAD X must be conducted in parallel, and in close cooperation, with preparations for the upcoming WTO Ministerial Conference in Seattle. The constructive atmosphere and speed with which consultations were proceeding was giving member States a sense of ownership in the preparatory process. In order to present the Board with an approved pre-Conference text on 17 December, the newly established Preparatory Committee of the Whole should be guided by a spirit of pragmatism and concentrate on what was fundamental for UNCTAD’s future work.

3. The Bangkok Conference involved two parallel processes: on the one hand, as the highest decision-making body of UNCTAD, it would be an internal UNCTAD conference, setting the

mandate and programme of work for the organization. On the other hand, it would also be a conference within a conference, conducted much more openly, and inspired by its date – at the dawn of the new millennium – and by its venue – in a region that represents one of the best hopes of the developing world. That singular set of circumstances would also be conducive to reflecting on the past as well as to providing inputs to such major events as the Third United Nations Conference on the LDCs and the Millennium Assembly and to assisting developing countries in the trade negotiations to be launched at Seattle. In addition, the Conference would provide an opportunity for high-level dialogue on the experience, and goals, of development, identifying what had been missing from the regional approach and what the challenges were ahead. All other relevant organizations would also be engaged in the process, and their contributions made available to the international community.

4. The Conference should also agree on the role of UNCTAD in the much broader context of the future challenges of development, and for that to happen the Preparatory Committee should build on the consensus already reached. That meant that, as a knowledge-based institution at the service of developing countries, UNCTAD should concentrate on trade and investment as the basic components of development. The time had arrived to define new priorities for its work – to find a unifying factor that would give meaning to that work – and since development was increasingly a knowledge-based and knowledge-intensive process, UNCTAD had a key role to play in that endeavour. It should start from its present activities and strengths, providing developing countries with advice on a positive agenda, for example in the upcoming trade negotiations, to make that agenda not just defensive but proactive and forward-looking. And it should continue to give them the skills for improving their commercial diplomacy and understanding the complexities of investment issues.

5. Finally, UNCTAD X should demonstrate that the Asian countries were back in force and, following the crisis in that region, it should give those countries an opportunity to show how they had dealt with the crisis and how their experience could be useful to other developing countries.

6. The **President** recalled that the Board had established the Preparatory Committee of the Whole in preparation for UNCTAD X under the chairmanship of the President, *inter alia* to prepare the pre-Conference text. He said that, at a meeting of the Bureau, there had been no disagreement with the fact that the Plan of Action of the G-77 constituted the basis for the Committee's work. Through that decision, the Committee was in keeping with the tradition of the Conferences preceding Midrand.

7. The Committee also had before it a document of the European Union, entitled "Guidelines for the Participation of the European Union in the Tenth Session of the United Nations Conference on Trade and Development", which had been officially submitted by the Presidency of the European Union. Any other group or delegation was also free to enrich the debate, bearing in mind the spirit of the report of the Secretary-General of UNCTAD to UNCTAD X. All of that work had been conducted, not in a spirit of sterile confrontation based on abstract principles, but out of a concern to do as much as possible, within the framework of the competences of UNCTAD, to improve the standard of living of people in developing countries.

8. That would be the central issue of the coming century, which would be ushered in by the Bangkok Conference. He therefore appealed to the Committee's pragmatism, sense of responsibility and transparency so that it could advance smoothly in drafting the text. In that manner the Conference itself could be devoted to a debate of substance and import, worthy of a new millennium, rather than to futile disagreements over details of drafting.

9. The **Minister for Foreign Affairs and Cooperation of Morocco**, speaking on behalf of the **Group of 77**, introduced the outcome of the Ninth Ministerial Meeting of the Group of 77, held in Marrakech from 13-16 September 1999. He said the meeting was an historic occasion that allowed the members of the G-77 and China to come together in a spirit of solidarity, cooperation and shared perceptions to forge a development strategy and to prepare for the international cooperation dialogue in the new millennium. Along with the substantive outcome, the success of the meeting lay in the unity and strength of the Group's commitment to renew and rejuvenate its collective self-reliance. The Plan of Action and the draft Bangkok Consensus approved at

Marrakech solidified the Group's collective thinking on the state of development and its aspirations for a better future for its peoples. The texts had also identified the contribution that UNCTAD could make to the common effort of integrating developing countries into the world economy and avoiding marginalization. The cornerstones of the proposed development strategy were growth, stability and equity, and it called for an active partnership based on solidarity and dialogue and for more inclusive and democratic institutional arrangements for international decision-making. UNCTAD's contribution to the new approach to development could be centred on the dynamics of globalization and interdependence, trade, and investment.

10. The documents of Marrakech had laid the foundations and constituted the basis for an outcome of UNCTAD X. They took a balanced approach to globalization and pointed to the need for both national and international action. In identifying the difficulties that had become apparent in a globalizing world economy, they looked to the future and suggested a set of basic ideas that would help ensure that globalization brought benefits to all. The Plan of Action took the view that UNCTAD was pre-eminently placed to build a consensus for reformulating policies in a globalizing world from a development perspective and that it had a major role to play in helping developing countries to design a phased integration into the world economy. Right from the outset, the G-77 and China had set out not to formulate a maximalist position paper but to prepare the basis for a pre-Conference text that all groups would be able to use as the basis for the Committee's work. Many issues remained to be negotiated, but the texts represented a good starting point.

11. The Ministers at Marrakech had also agreed to transmit a message to the WTO Conference in Seattle, demonstrating the G-77's determination to ensure that future multilateral trade initiatives would be focused on achieving a more equitable distribution of the benefits of the global trading system, improving conditions of access for developing country products and services in world markets and correcting imbalances in rights and obligations. They had called upon the international community to honour its commitments and obligations to assist the LDCs and had also adopted a ministerial statement on economic cooperation among developing

countries, expressing strong support for the South Summit in 2000 as a critical event for strengthening South-South cooperation.

12. The **representative of Thailand, host country for UNCTAD X**, said that the G-77 texts for the draft Bangkok Consensus and Plan of Action provided a good basis for the pre-Conference negotiations. He also welcomed the proposed guidelines and approaches of the European Union (EU) pertaining to the future work programme of UNCTAD. Thailand perceived UNCTAD as a forum that would bring all nations together – big or small, advanced or developing – not only to review the successes and pitfalls of development strategies, but also to assert a new consensus in creating a more balanced and equitable international economic system.

13. Although the financial crisis in Asia had raised questions about the continued relevance of the East Asian development model, indications of economic recovery suggested that the region's experience was indeed still relevant for comparative studies. Thailand and the rest of East Asia could still serve as models, not only of successful economic development but also of economies that had experienced and overcome the downsides of globalization. UNCTAD X would provide meaningful deliberations on development experiences and, more importantly, on ways and means of managing the process of globalization for mutual benefit. His Government stood ready to welcome representatives at the highest level in order to give the Conference a meaningful and effective outcome for the future economic progress and prosperity of all nations and peoples.

14. The representative of **Finland**, speaking on behalf of the **European Union**, said that the Conference would enable UNCTAD to preserve its important role in the international debate on the most relevant trade-related issues in the context of sustainable development. The Conference proceedings had to be based on a clear and shared understanding of the relationship between sustainable development and globalization, for which trade and investment liberalization were fundamental instruments. In order for developing countries to reap the benefits and take up the challenges of globalization, there was a need for the international community to improve and strengthen the environment in which development took place. The outcome of the Seattle

conference, the conclusion of the “new Lomé” Convention, and moves towards regional economic integration in both Latin America and Africa should also be taken fully into account in preparing UNCTAD’s work programme for the next four years. UNCTAD could play an important role in supporting developing countries as they prepared for the new round of negotiations to be launched at Seattle.

15. The EU had prepared guidelines for its participation in UNCTAD X, which should prove helpful to the Union’s development partners and contribute positively to the negotiating process. Without disputing the role of the G-77, the EU suggested that its text and that of the G-77, as well as any others which might be presented, should be considered side by side by the Committee.

16. The spokesperson for the **Asian Group and China** (Islamic Republic of Iran) introduced the Lebanon Declaration 1999, adopted at the Ninth Ministerial Meeting of the Asian Group in Beirut, Lebanon, in August 1999. In it the Ministers had reaffirmed UNCTAD’s relevance and given their full support to its continued central role as a universal forum for intergovernmental deliberations, confidence and consensus-building and policy formulation on wide-ranging issues of trade and development. They had also reiterated that UNCTAD’s capacities should be brought to bear in defining a new development paradigm based on sustained economic growth and sustainable development and providing orientations for development strategies and policies of the future.

17. The spokesperson for the **Latin American and Caribbean Group** (Dominican Republic) introduced the Santo Domingo Declaration, adopted at the Ninth Ministerial Meeting of the Group in Santo Domingo, Dominican Republic, in August 1999. That text had highlighted the fact that the structural reforms and macroeconomic management measures adopted by the region had been inadequate to reduce the vulnerability of the countries concerned. It had also stressed the need for solidarity in combating poverty and identified the urgent task of strengthening UNCTAD’s role as an appropriate forum for analysing and designing development strategies that promoted economic growth and social development while contributing to the growth of all developing countries. The Group had furthermore insisted on the need for trade in agriculture

to be governed by the same disciplines as for general trade in goods and for ensuring consistency between national policies and multilateral agreements, by eliminating unilateralism, extraterritoriality, and conditionalities placed on preferential treatment. That lack of consistency contradicted the principle of equality among States.

18. The Declaration also called for the establishment within UNCTAD of a development centre or institute with teaching, research and support capacity for the developing countries, to be based in Geneva. Such a centre would train developing country negotiators on topics of the multilateral trade agenda and on other areas within UNCTAD's competence. The Board should devote all of its high-level segments to discussing new strategies for development.

19. The spokesperson for the **African Group** (Nigeria) said the texts submitted by the G-77, which were as balanced as they were reasonable, constituted a very good basis for the work of the Committee. He invited other regional groups and countries to display the desired good will and understanding in the negotiations on a pre-Conference text. The African Group attached great importance to the outcome of UNCTAD X, as the region was in dire need of economic rejuvenation given its current background of economic decline and increasing marginalization in the globalized world economy. The region had since accepted the reality of globalization and embraced the need for economic and political reforms. Africa's continuing marginalization was increasingly defined by its very low absolute level of exports and decreasing share in world trade, inadequate inflows of foreign investment and ODA, persisting external debt burden, collapse in commodity prices, enduring supply-side bottlenecks and a less propitious external economic environment. The Group expected that UNCTAD X would facilitate agreement on new development paradigms that would reverse that unacceptable trend. The African Ministers, in their Declaration for the Conference, had enjoined the international community to agree on, and implement, policies, measures and actions to contribute to the achievement of Africa's objectives of growth and development, with equity.

20. The spokesperson for **JUSCANNZ** (Australia), speaking also on behalf of **the Republic of Korea, Turkey and Israel**, said the secretariat's work programme for the next four years must

be tightly focused and managed. There was a strong need for the pre-Conference text to be accompanied by a time frame and an expected outcome for each individual activity requested of the secretariat. The text should include a logical framework for UNCTAD's future activities, which would provide for implementation and follow-up within concrete time frames. Issues covered by individual paragraphs of the text could be divided into those requiring immediate action, those requiring action by the mid-term review, and those requiring action by UNCTAD XI. The outcomes of those activities, as well as reports on their progress, could be presented to the appropriate bodies over the next four years.

21. The representative of **Japan** said that, as globalization had progressed, the sphere of activities of people and business had begun to expand beyond national and regional borders, and the innovation of information technology coinciding with globalization had been providing enormous opportunities to increase economic efficiency. However, not all nations were enjoying the benefits of globalization, and those which were not had started to lose industries and work forces and to face delays in industrialization due to decreasing investment flows from abroad. In particular, globalization in the money business promoted by the advancement of information and communication technologies had allowed for massive, immediate capital transfers and could create serious instability in the world economy.

22. Seeking solutions to the grave concerns of developing countries over the widening income gap was of critical importance, as was the full participation of developing countries in the new WTO round. New ideas were desperately needed which could promote the brighter side of globalization while reducing its darker side. UNCTAD could play an important role in that regard, through assistance for human capacity-building and for industrial structural reforms. New methods of transactions, as exemplified by electronic commerce, should be regulated.

23. The representative of **Switzerland** said the Plan of Action should be accompanied by a timetable and the secretariat should be called upon to report on its activities to member States. That would enhance the value of those activities, both for the beneficiary countries and for the

donor countries. The two texts -- those of the G-77, and of the EU -- provided an excellent basis for the Committee's work.

24. The representative of the **Third World Network** presented what his organization viewed as trends and reactions in civil society of the South to the major challenge at the turn of the century – development. More than two decades of neo-liberal economics had increased the numbers of those whose basic needs were not satisfied, thus widening the equity gaps within and among societies. His organization had long ago voiced its doubts about globalization, a new name for laissez-faire economics or even, as former United States Secretary of State Henry Kissinger had put it, “just another name for United States domination”. Similarly, the “Washington-plus” new development framework unfortunately appeared to be just old vinegary wine in new bottles. While the IMF and the World Bank tried to force the ideology of globalization through their conditionalities on the developing world and the transition economies, the WTO, with its unequal asymmetric rules and dispute settlement system, which was actually run by the secretariat, was seen by civil society as pushing corporate interests and in effect having been captured by the world's transnational corporations (TNCs). It was no wonder that civil society, and particularly in the South, saw the moves in relation to the new round of negotiations as part of the normative new-liberal “globalization” agenda being pushed on developing countries, resulting in their plunging back into a colonial-era economic relationship and remaining at the bottom of the heap as hewers of wood and drawers of water.

25. The global economic system benefited the developed countries above all, and if the developing countries lagged behind, it was not only because of inadequate policies on their part. If those countries were asked to “liberalize” in order to make Seattle a success, and to take on more obligations on investment and services so as to enable Europe and Japan to make some concessions to the United States on agriculture, universal crises and social disorders might result. If UNCTAD was not a negotiating body, it should at least look at the question of knowledge objectively.

26. The representative of **International Cooperation for Development and Solidarity**, a coalition of northern Catholic development agencies, said that the failure of the “Washington consensus” had drawn attention to the insufficient priority given by economic policy makers to human development. The questioning of the orthodoxies of that consensus opened a real window of opportunity to challenge and change the development paradigm. Governments should have the sovereign right and duty to regulate the market in the interests of their people; they might choose to give up a degree of sovereignty in order to achieve international legislation and regulation, but should not be obliged to do so.

27. Putting the economy at the service of the people meant changing the way economic policy was made, through greater transparency, democracy and accountability within bodies like the WTO and International Monetary Fund (IMF) and by encouraging ownership of the process through participation. One recent example was the IMF’s new Poverty Reduction and Growth Facility, which could radically alter the Fund’s role, turning it from master to servant in the policy formulation process. UNCTAD could play a key role in ensuring that the Fund helped Governments achieve their poverty reduction goals by providing the best possible technical advice. It could also provide intellectual support and leadership to the disparate forces seeking a new pro-poor development paradigm, but it needed to acquire a far higher profile in its work and to identify allies to generate intellectual and political momentum. Research was needed that disaggregated the social impact of different processes on inequality, women, consumers and small producers.

28. If UNCTAD was unable to take the lead, the danger was that NGOs and other advocacy organizations would focus their attention and efforts on where the power lay – increasingly, within the Bretton Woods institutions and the WTO, rather than the United Nations system. The WTO was rapidly acquiring a bad reputation as a non-transparent body where decisions were taken by powerful Governments behind closed doors, and it ran the risk of a long-term erosion of its political legitimacy. If the result of Seattle was a built-in agenda, he hoped that UNCTAD could both facilitate southern input into the debate, and seize the initiative on the issues not being discussed by the WTO, such as how to design an international investment agreement whose

primary aim was poverty reduction and sustainable economic growth. UNCTAD should help ensure that southern concerns were properly taken into account at Seattle, in contrast to the Uruguay Round.