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From UNCTAD XI to UNCTAD XII – A Stocktaking

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Introduction

Established in 1964 through a United Nations (UN) Resolution¹, United Nations Conference on Trade and Development (UNCTAD) is the primary agency of the UN for the integrated treatment of all trade and related development issues. Its functions² include promotion of international trade in its various dimensions including formulation of principles and policies, preparation of proposals for implementation, facilitation and coordination of trade related activities of other UN wings, negotiation³ of multilateral legal trade instruments, and role of a centre for harmonising trade and related development policies of governments and regional economic groupings. The UNCTAD XII to be held in Accra, Ghana in April 2008, is its highest decision making body, and meets every four years.

UNCTAD has assumed a development friendly role right from its inception with the simultaneous creation of the Group of 77 (G-77) by developing countries. Its early successes include; prompting the International Monetary Fund (IMF) and World Bank to become more attuned to the development needs of developing countries; in particular playing a major role in the operationalisation of Official Development Assistance (ODA) targets and creation of the Paris Club; negotiation of the Generalised Scheme of Preferences (GSP), the Global System of Trade Preferences (GSTP)⁴; and some commodities agreements and its research and technical assistance roles.

UNCTAD has lost some of its mandate since the late 1970s, and its wings were further clipped in the VIII and IX Conferences which transformed it from a negotiating forum to a consensus building one and shifted its focus from the external environment needed for development to domestic development problems and technical assistance⁵, thus forcing it to work in the neo-liberal paradigm.

UNCTAD X at Bangkok saw some revival of interest with the Conference questioning the neo-liberal paradigm in the wake of the Asian financial crisis and the failure of the Seattle Conference of the World Trade Organisation (WTO). The Bangkok Plan of Action provides that trade liberalisation must be consistent with development objectives. UNCTAD XI at Sao Paulo advised developing countries to follow a strategic and appropriately sequenced

approach to liberalisation after a careful analysis of the export potential in key sectors. However, the massively downsized budget for UNCTAD and its donor-driven technical assistance plans still hamper its ability to deliver desired development-oriented research and analysis and programmes.

Role of UNCTAD XI in Facilitating DDA Goals

On July 18, 2004, UNCTAD XI adopted two documents: a political declaration called, “The Spirit of Sao Paulo⁶” and a policy document called, “The Sao Paulo Consensus⁷”. These documents came after eight months of hard negotiations, mostly focused on North-South lines⁸. The Sao Paulo Consensus (SPC) structured its format into four themes: Development Strategies in a Globalising World Economy; Building Productive Capacities and International Competitiveness; Assuring Development Gains from the International Trading System; and Trade Negotiations and Partnership for Development. It provides policy analysis, policy response and UNCTAD’s expected contribution to each of these themes.

The SPC recognised that the delivery of benefits of globalisation has been unequal and had adverse social impact on many developing countries. It emphasised the role of the State in ensuring that the benefits of globalisation were distributed equitably through sound development policies, strategies, infrastructure development and regulatory framework. Pointing to the principles of sovereign equality of States, the right to development and the provision of special and differential treatment (S&DT) to developing countries, it recognised the need for ‘policy space’⁹ for developing countries in contradistinction to the ‘one-size-fits-all’ approach in the neo-liberal paradigm.

The SPC also called for addressing financial and capital volatility and finding solutions to external debt problems of developing countries. Besides, focus on Africa and the least developed countries (LDCs) were highlighted.

In respect of trade, while appreciating the need for an open, predictable, rule based, equitable, non-discriminatory and transparent global trade regime, it stressed that trade is not an end in itself but a means to growth and development.

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Pointing to the broad development focus of the so called Doha Development Agenda (DDA)¹⁰, it stated that the needs and interests of developing countries must be pursued with a view to bringing about concrete development-oriented outcomes from the negotiations. For example, 16 issues¹¹ of particular concern to the developing countries arising from the ongoing Doha negotiations have been listed and activities of UNCTAD are expected to address these issues.

The SPC denounced unilateral measures by States, listed a number of elements of good governance at the national as well as international level and recognised the importance of promotion of corporate responsibility and accountability primarily through voluntary instruments. Finally, on the institutional role of UNCTAD, the SPC basically preserved the existing mandate of UNCTAD in respect of technical assistance, research and analysis while recognising its focal role for the integrated treatment of trade and development. The SPC also encourages UNCTAD to be more systematic in its efforts to ensure civil society participation. As the Annex to the SPC notes, a new focus on Information and Communication Technologies (ICT) for Development as a partnership activity had been agreed to.

The Spirit of Sao Paulo, agreed upon a day earlier to the SPC, makes hortatory commitments to various international instruments of recent origin, particularly the Millennium Development Goals (MDGs), the Monterrey Consensus, World Summit on Sustainable Development (WSSD) and the Programme of Action for LDCs, and focuses on policy space and eradication of poverty and hunger.

Review of Achievements since Sao Paulo

UNCTAD Secretariat produced a document¹² in 2006 detailing its activities for the Mid-term Review¹³ (MTR) of the SPC. It refers to the regular documents periodically prepared by UNCTAD as part of its activities, many country/region specific technical assistance programmes, Investment Guides and Blue Books apart from the work done by UNCTAD in those two years on ICT issues. Specific technical assistance or studies related to WTO negotiations are few, if not absent, as is specific work on LDCs. Instead, UNCTAD has worked on certain issues outside the WTO negotiating mandate such as competition policy and some general issues like trade statistics, MDGs and the interface between trade, environment and development. Clearly, a lot more can be done if funds are made available, and UNCTAD

appears to have fallen shy of working on core negotiation issues.

Looking at the work of UNCTAD in the last four years, the greatest value appears to come from UNCTAD's regular publications, the Trade and Development Report (TDR) and the World Investment Report (WIR), besides its annual report, which is also useful. The TDRs, for example, fulfilled some of the SPC mandate on the theme, 'Development Strategies in a Globalised World Economy'. Similarly, the WIRs have produced some statistics and investment policy reviews of eight developing countries in fulfilment of the SPC mandate on the theme entitled, 'Building Productive Capacities and International Competitiveness'.

Some ongoing UNCTAD programmes have fulfilled some of the SPC mandates. The Integrated Framework (IF) programme fulfilled a number of mandated activities for LDCs, while the 'Economic Development in Africa' reports of UNCTAD, the Debt Management and Financial Analysis System (DMFAS) programme and some Ad Hoc Expert Meetings have been helpful for the African-oriented SPC mandate. The UN driven Science, Technology and Innovation Policy (STIP) review of Iran and a book by UNCTAD along with ICTSD helped the technology cause¹⁴. The series on 'Key Issues' in *International Investment Agreements* and on *International Investment Policies* for development have chipped in on the second SPC theme. The ICT related work in INCTAD has been quite substantial in the last four years, in spite of it being a new area for the organisation.

On trade and WTO related issues, UNCTAD has carried out both donor and demand-driven capacity building programmes on Aid-for-Trade (AFT), NTBs and some service sectors and held general workshops etc., on issues under negotiations. Specific inputs to the developing countries for the negotiations are, however, very few. Rather, there are some general outputs like the Trade Development Index (TDI), Trade Analysis and Information System (TRAINS), World Integrated Trade Solutions (WITS), Agriculture Market Access Database (AMAD), Agriculture Trade Policies Simulation Model (ATPSM), Common Analytical Market Access Database (CAMAD) and Measures Affecting Services Trade (MAST) which are of general relevance in the negotiating context to developing countries

In accordance with the recommendations of SPC on the last theme entitled, 'Partnership for Development', UNCTAD has organised hearings with the civil society and the private

Box 1: UNCTAD Work on WTO Negotiations

UNCTAD conducted seven expert group meetings relevant for the DDA. Five of these were on services issues: distribution services; professional services; and regulatory frameworks; insurance services; and two meetings on new and dynamic sectors of world trade. One expert meeting was held on non-tariff barriers (NTBs) and one on financing of commodity-based trade and development. Curiously, though a number of technical assistance programmes like seminars, workshops and training programmes were undertaken on WTO issues, there were no such activities on the two core negotiating issues, viz. agriculture and non-agriculture market access (NAMA) apart from a small programme on quantification of adjustment costs and two publications, viz. *Smoke and Mirrors: Making Sense of the WTO Industrial Tariffs Negotiations*, and *Roadblock to Reforms: The Persistence of Agricultural Export Subsidies*. Also, little work has been done on the so-called implementation related issues and concerns in the DDA.

Source: UNCTAD Annual Report 2006 and TD/B(S-XXIII)/2

Box 2: UNCTAD's General Outputs

TDI: It elaborates development benchmarks on assessment of the impact of trade on development and *vice versa* and provides country rankings in terms of trade and development performance as well as a diagnostic and policy tool that makes it possible to systematically identify factors explaining such performance. Latest TDI Key results are available at: <http://www.unctad.org/Templates/Page.asp?intItemID=4390&Lang=1>

TRAINS: It provides 163 volumes of tariff schedules, 56 volumes of para-tariff measure, 97 publications on non-tariff measures and 70 volumes of detailed import statistics at tariff line levels at origin. TRAINS online available at: http://r0.unctad.org/trains_new/index.shtm

WITS: It allows users to access the TRAINS data through the internet. WITS online is available at <http://wits.worldbank.org/witsweb/>. It also gives access to TRAINS, Inter-American Development Bank (IDB) and CTS (WTO Members' commitments on goods in the Uruguay Round).

CAMAD: It has been established to combine tariffs and imports at the tariff line level.

MAST: It is a database which could be used as a tool for undertaking cross-country, cross-sectoral analysis of legal information related to GATS.

AMAD: It was created through the efforts of seven international organisations and institutions including UNCTAD, and aims to provide information on WTO bound and applied tariff rates on agricultural products and tariff rate quotas. Available at: <http://www.amad.org>

ATPSM: It provides information on domestic support and agriculture subsidies. ATPSM version 3 can be downloaded at: <http://www.unctad.org/tab/>

sector, apart from many informal exchanges between the Secretariat personnel and the civil society. UNCTAD has had to raise extra budgetary funds for inviting civil society participants for these events.

The Themes and Sub-Themes of UNCTAD XII

CUTS International, an Indian civil society organisation, organised two Civil Society Forums¹⁵, one in Asia and another in Africa, where the way forward for UNCTAD at its 12th Conference in April 2008 is to be discussed. Given below are some ideas on making UNCTAD work better for the developing world which are based on the recommendations of these forums.

The theme of the Accra Conference are discussed below.

Addressing the opportunities and challenges of globalisation for development

Globalisation has generated remarkable wealth and prosperity for particular countries and particular industries, and UNCTAD's TDR 2005 has documented how the ascent of China and India has brightened the outlook for exporters of many primary commodities and increased trade among developing countries. It has also intensified competition in the global markets for certain types of manufactures. On the other hand, however, such benefits have not uniformly percolated across the developing world, or across sectors within a developing country. Given this dilemma, UNCTAD XII intends to explore ways to harness globalisation to raise living standards, reduce poverty and ensure sustainable development.

The theme appears to assume that globalisation is a given, and is irreversible. While it may not be very far from the truth if we go by the available literature both by the inter-governmental organisations as well as academicians, the theme appears valid for UNCTAD's future work primarily because of a latent admission in it of the danger and turbulence that globalisation has led some countries to. The

theme calls for addressing both opportunities, and more importantly, challenges for development that globalisation generates.

The UNCTAD XII Preparatory Committee (precom) has sub-divided the main theme into four dimensions or sub themes, i.e. coherence, new realities, enabling environment and a stronger UNCTAD. At this point of time, the precom is undertaking negotiations on a draft text for the Declaration to be adopted in Accra in April 2008. The draft text is heavily bracketed. As of mid-March, only 45 of the 275 paragraphs are settled. However, for the purpose of this paper, the assessment is based on the first draft.

Enhancing Coherence at all levels for sustainable economic development and poverty reduction in global policy-making, including the contribution of regional approaches

If international trade is to act for development, various coherent approaches are required. Agriculture as well as industrial market access has to cohere with subsidies. Regional trading arrangements have to cohere with multilateral trade rules, the global financial system through better regulation has to cohere with vulnerable countries and the specificities of their economies, and regulation (of the need of which there is no longer any doubt) of private capital flows has to cohere with the need for stability in developing country economies. The first theme, therefore, focuses on these issues.

Such coherence can be achieved by integrating the trade of developing countries at the national, regional and international levels in a coordinated and sequential manner on the basis of their policy space needs and their diverse economic situations. UNCTAD can contribute to the following dimensions of coherence, as they are all within its mandate: adoption of development oriented policies by multilateral institutions, restructuring of market mechanisms

Box 3: Globalisation – Opportunities and Challenges

As efficiency is not necessarily in the same league as equity, globalisation is not in the same league as development. Nations have to make globalisation work towards development, and it is this aspect of the UNCTAD XII theme that developing countries would likely be attracted towards. Globalisation is a useful force which can do a lot of good if it is suitably harnessed through the achievement of certain pre-conditions such as macro-economic stability, presence of an adequate base of human capital and a competitive entrepreneur class etc. Without these preconditions, open policies can have harmful side effects, especially if they are not implemented gradually.

The Trade-Development-Poverty linkage (TDP) project undertaken by CUTS International examined the economies of 13 countries in Asia and Africa, and found that a one-size-fits-all philosophy does not work for economic development based on liberalisation. For example, although similar pace of tariff reduction may have taken place in most of these countries, while textile exports helped early growth in Vietnam and Cambodia, it took many more years for Zambia or Zimbabwe to taste growth as it took that long for commodity prices to increase.

The project concludes with some forward looking lessons based on the experiences of the selected countries: political, social and governance related issues are important; countries that have undertaken reform through domestic initiatives have succeeded most; the theoretical premise of relocation of resources in export oriented sectors on account of liberalisation is not straightforward; institutional reforms are more difficult than structural adjustment programme (SAP) led reforms; there is no systematic relationship between tariff protection and economic growth; removal of trade barriers have to be accompanied with supply side capacity development; judicious use of policy space is as important as its availability; and trade liberalisation helps only so long as strong trade infrastructure is available.

Source: Trade-Development-Poverty Linkages: Reflections from selected Asian and Sub-Saharan African Countries, Volume I, Country Case Studies, Edited by Mohammed A Razzaque and Selim Raihan, available at <http://www.cuts-citee.org>.

to address supply and demand side constraints, and building capacities for better monitoring and evaluation to enable mid-course corrective action.

Key trade and development issues and the new realities in the geography of the world economy

Under this sub-theme, UNCTAD elaborates the new landscape of economic relations where developing countries are trading more with each other and even investing in the developed world. Rising demand for commodities brings both opportunities and challenges for them, and UNCTAD XII has to address these ramifications.

Trade facilitation, harmonious regional policies among developing regions, governments' sensitivity towards poverty and gender equity, strong institutional capacities at the national level and flanking social and regulatory policies are necessary conditions for sounder and hence better integration of the developing world into the multilateral trading system, and therefore a pre-requisite to further opening up. There is a need for first a critical evaluation of the existing paradigms of the WTO and then the proposing of new paradigms suitable for promoting fair trade, development and effective participation of developing countries, particularly LDCs in the trading system.

Here again, UNCTAD not only has the mandate, but also the competence to undertake studies, envision country-specific and tailor made solutions on the desired pace of opening up and to provide the capacity to understand institutional, other regulatory and social needs that have to go hand-in-hand with liberalisation. As pointed out earlier, efforts of UNCTAD in this area in the implementation of the SPC leave much to be desired. Also, there is a chance for the membership to go into the causes of the lack of desired work on the WTO and build for it a new mandate and provide it the necessary resources that fulfil this need.

Enhancing an enabling environment at all levels to strengthen productive capacity, trade and investment: mobilising resources and harnessing knowledge for development

Given the cumulative causation between productive capacities, trade and investment, critical international issues include global finance and trading systems, intellectual property rights (IPRs), South-South cooperation and foreign direct investment (FDI) and investment agreements, this sub-theme calls for work on them.

UNCTAD should support developing countries in harnessing FDI for development. It should work towards bridging the gap between knowledge producers and users, making IPRs work for the consumers, particularly the poor, and enhance and preserve intellectual property endogenous to developing countries. At a broader level, it should help in enhancing the quality of education and link it with the industrial sector and research institutions. It should also facilitate the development of institutions that prepare developing countries to negotiate more equitable multilateral trade and IP agreements.

Strengthening UNCTAD: enhancing its developmental role, impact and effectiveness

As globalisation becomes a more powerful force, UNCTAD must refine its efforts to help developing countries. As the trade-development focal point of the UN, it could evolve ways to improve its working method so as to produce high quality and sharply focussed research and analysis and a synergy creating technical assistance programme. It should make its inter-governmental machinery more action-oriented and effective. These are the key issues before UNCTAD on this sub-theme.

This is perhaps the most important of the sub-themes in terms of long term benefits flowing to developing countries.

UNCTAD must forge greater coordination and coherence with other UN organisations and IGOs and secure a better decision making role for developing countries in its decision making bodies. It should develop a clear and comprehensive dissemination strategy and work more with regional integration bodies. Most important, it should strengthen its NGO Liaison Office with adequate resources so that the civil society is included in its activities and outputs and becomes its messenger at the informal levels. At its end, the civil society should network at the national, regional and international level in order to more coherently feed into the work of UNCTAD and its member states.

Conclusion

UNCTAD is at the cross roads. On the one hand, its regular work, particularly its periodical reports like the TDR and WIR, as well as much of its technical assistance programme is either the only or the most important input for national level policy makers in many developing countries and hence a much needed activity, on the other hand the impact of the juggernaut of globalisation is being felt slowly

but surely in these countries and the current activities of UNCTAD are falling woefully short in addressing related opportunities and challenges UNCTAD is meant for developing countries.

The changing economic landscape demands a more pointed delivery from UNCTAD that not only becomes a veritable economic and trade policy input at the national and regional level for developing countries but also adapts to the specificities in each developing country and produces tailor made outputs. It also has to acquire a new supporter in the civil society if its work is to attain the desired spread and levels, and if the average citizen of developing countries is to develop a confidence in its wisdom.

This paper has developed some ideas based on recommendations made by the civil society of Asia and Africa in the previous part. It may be useful for the negotiators sitting inside the precincts of the prepcom as well as the policy makers of developing and developed countries to heed them in finalizing the future of UNCTAD coming April.

Endnotes

- 1 UNGA Resolution 1995 (XIX),
- 2 Op cit., paragraph 3
- 3 The negotiation functions of UNCTAD are virtually non-existent in fact for the last two decades.
- 4 The Generalised System of Trade Preferences among developing countries.
- 5 Technical assistance, in fact, did not feature in its original 1964 charter, but was picked up as a desirable activity as developing countries were happy to get such assistance and the developed countries found that it did not interfere in their plans for the changed role of UNCTAD.
- 6 TD/L.382
- 7 TD/410
- 8 Se, for example, "The UNCTAD XI Sao Paulo Consensus: Defining the Mandate" paragraph 8 on <http://www.southcentre.org>.
- 9 As formulated in paragraphs 23 and 24 of the Sao Paulo Consensus, TD/410.
- 10 Name of the Doha negotiations of the WTO launched in the WTO.
- 11 TD/410, paragraph 68
- 12 TD/B(S-XXIII)/2 dated 12 April 2006, reviewing the implementation of the SPC for the two years 2004 and 2005.
- 13 Basic Documents, page 26, at <http://www.unctad.org>.
- 14 The book is helpful in building capacities of developing countries in understanding the WTO TRIPS Agreement.
- 15 The recommendations may be seen at <http://www.cuts-international.org>

