



**United Nations  
Conference  
on Trade and  
Development**

Distr.  
GENERAL

TD/410  
25 June 2004

Original: ENGLISH

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Eleventh session  
São Paulo, 13–18 June 2004

## **SÃO PAULO CONSENSUS<sup>1</sup>**

1. Four years ago, at the tenth United Nations Conference on Trade and Development in Bangkok, member States concluded that globalization and interdependence have opened new opportunities for the growth of the world economy and development. Globalization offers new perspectives for the integration of developing countries into the world economy, and it can improve the overall performance of developing countries' economies by opening up market opportunities for their exports, by promoting the transfer of information, skills and technology, and by increasing the financial resources available for investment in physical and intangible assets. But globalization has also brought new challenges for growth and sustainable development, and developing countries have been facing special difficulties in responding to them. Some countries have successfully adapted to the changes and benefited from globalization, but many others, especially the least developed countries, have remained marginalized in the globalizing world economy. As stated in the Millennium Declaration, the benefits and costs of globalization are very unevenly distributed.

2. As the focal point of the United Nations for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development, UNCTAD is expected to make substantial contributions to the implementation of the outcomes of recent global conferences. It will contribute to the implementation of international development goals, including those contained in the Millennium Declaration, and to the preparation of the 2005 comprehensive review of this implementation. It should contribute to the implementation of, and take specific actions requested in, the Programme of Action for the Least Developed Countries for the Decade 2001–2010, the Monterrey Consensus, the Johannesburg Declaration on Sustainable Development and the Plan of Implementation agreed at the World Summit on Sustainable Development, and the Declaration of Principles and the Plan of Action of the World Summit on the Information Society. It should also contribute to furthering the implementation of internationally agreed goals in the Doha Ministerial Declaration and other relevant decisions.

3. Since its inception, UNCTAD has consistently offered a perspective that looks closely at the trade- and development-related challenges of developing countries, as well as countries with economies in transition. Through its three major pillars, namely consensus building, research and policy analysis, and technical assistance, it has contributed to a better understanding of the

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<sup>1</sup> As adopted at the 269<sup>th</sup> plenary meeting on 18 June 2004.

development process and the factors contributing to uneven economic growth in developing countries. Coordination and synergies among these three areas of work should continue and be enhanced. UNCTAD's analytical capacity should be enhanced to ensure the high quality of research and analysis necessary to address key issues of importance to developing countries. The results of such analysis should support and reinforce UNCTAD's activities in consensus building and technical cooperation. UNCTAD's technical cooperation activities should also be strengthened through the implementation and follow-up of the new Technical Cooperation Strategy<sup>2</sup> that the Trade and Development Board approved at its fiftieth session. In all these areas of work, particular consideration should be given to the needs of least developed countries (LDCs).

4. In the four years following the tenth session of UNCTAD, the Bangkok Plan of Action served as a comprehensive blueprint for the work of the organization. The São Paulo Conference reaffirms that the Bangkok Plan of Action<sup>3</sup> should continue to guide UNCTAD's work in the years to come. UNCTAD XI constitutes an opportunity to identify new developments and issues in the area of trade and development since Bangkok, and to generate greater understanding of the interface and coherence between international processes and negotiations on the one hand and the development strategies and policies that developing countries need to pursue on the other. UNCTAD can play an important role in helping to ensure that coherence for development. Advancing this objective is the overarching goal of the São Paulo Conference.

5. The Heads of State and Government gathered at the International Conference on Financing for Development in Monterrey in 2002 agreed that globalization should be fully inclusive and equitable. To achieve this, efforts should be strengthened at the national level to respond effectively to challenges and opportunities through the implementation of appropriate trade and macroeconomic policies and the design of development strategies that take account of the possibilities offered by globalization and interdependence in a forward-looking and proactive manner. While each country has primary responsibility for its own economic and social development, national efforts need to be complemented and supported by an enabling global environment, strong growth of the world economy, and international efforts to enhance the coherence and consistency of the international monetary, financial and trading systems in support of development.

6. Given that globalization also has a social and human dimension, development strategies have to be formulated with a view to minimizing the negative social impact of globalization and maximizing its positive impact, while ensuring that all groups of the population, and in particular the poorest, benefit from it. At the international level, efforts have to converge on the means to achieve the international development goals, including those contained in the Millennium Declaration. These are essential for development in all countries and for escaping the "poverty trap".

7. There is a need to strike a balance between the objectives of efficiency and equity. Both the market and the state have an important role to play in the development process, and it is essential to ensure that their respective roles are complementary. Further development of the private sector and a market mechanism is critical for higher investment and faster growth, and this requires a conducive policy environment. At the same time, the role of the state is vital for designing and implementing development strategies, reducing poverty and attaining equitable income distribution, building physical and human infrastructure, addressing market failures where they occur, and providing enabling macroeconomic conditions and a sound regulatory framework.

8. The increasing interdependence of national economies in a globalizing world and the emergence of rule-based regimes for international economic relations have meant that the space for national economic policy, i.e. the scope for domestic policies, especially in the areas of trade, investment and industrial development, is now often framed by international disciplines,

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<sup>2</sup> Trade and Development Board decision 478(L) of 10 October 2003.

<sup>3</sup> Report of the United Nations Conference on Trade and Development on its tenth session, 12–19 February 2000 (TD/390).

commitments and global market considerations. It is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space. It is particularly important for developing countries, bearing in mind development goals and objectives, that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments.

9. Since the mid-1990s, UNCTAD has taken part in the United Nations reform process, playing an important role in some areas. In this context, based on the framework established by General Assembly resolution 58/269, the results achieved from the implementation of the Bangkok and São Paulo outcomes should be subject to intergovernmental review. Specifically, a mid-term review should be conducted by the Trade and Development Board in 2006. Further, building upon current practice, UNCTAD's annual report should focus more on results achieved, assessed against the organization's established strategic framework, with a clear set of indicators of achievement. This result-oriented annual report should form the basis for an annual review of programme performance by the Trade and Development Board.

10. UNCTAD should continue to contribute to, and participate effectively in, the ongoing United Nations reform process, which is aimed at *inter alia* deepening coherence and enhancing the effectiveness and impact of UN development activities. The organization's participation in that reform process will be reviewed through the existing intergovernmental mechanisms of UNCTAD. As the designated focal point for the integrated treatment of trade and development, UNCTAD has a special responsibility to contribute to the achievement of the international development goals, including those contained in the Millennium Declaration. Interagency collaboration, within UN mechanisms, should be enhanced. These processes will be guided by the relevant General Assembly resolutions. Technical assistance activities implemented by UNCTAD require an appropriate follow-up with a view to strengthening their effectiveness. The issue of continuous and predictable funding of UN development activities should be addressed. The preparations for the 2005 comprehensive review of progress towards international development goals, based on General Assembly resolution 57//270B, will provide an opportunity for renewed focus on UNCTAD's contributions and should be commensurate with the needs of developing countries. The invitation for the President of the Trade and Development Board to participate in the High-level Meeting of ECOSOC with the Bretton Woods institutions and the WTO is important and should be institutionalized.

11. UNCTAD and other international organizations should continue to cooperate closely, within their respective mandates, to enhance synergies, consistency, complementarity, coherence and mutual supportiveness of policies to strengthen multilateral cooperation for the development of developing countries while avoiding duplication of work. This cooperation should take into account the mandates, expertise and experience of respective organizations and create genuine partnerships. UNCTAD should also make its work more effective by broadening its cooperation with other development partners, including the private sector and civil society.

## I. DEVELOPMENT STRATEGIES IN A GLOBALIZING WORLD ECONOMY

### A. Policy analysis

12. Globalization remains a potentially powerful and dynamic force for growth and development, but the central challenge of globalization today is still to raise all boats and become a source of improved living standards for all people in the world. In an increasingly interdependent world economy, slow and unstable growth, weak commodity prices and instability in the international financial system have made the task of reaping the potential benefits from globalization more difficult for developing countries.

13. The experience of the past two decades with development policies that have centred around greater openness to international market forces and competition and a reduced role for the state has shown that there is no automatic convergence of open economies, and that there can be no “one-size-fits-all” approach to development. There is now broad agreement on the need to shape development strategies in the light of the successful and less successful experiences of the past. Development strategies should be tailored to countries’ specific developments needs and circumstances. In developing countries that have been more successful in integrating into the world economy than others, rapid and sustained growth has been facilitated by a shift in economic structure from the primary sector to manufacturing and services, associated with a progressive rise in productivity. The engine of this process of structural change has been rapid, efficient and sustained capital accumulation in the context of a coherent development strategy.

14. Capital inflows to developing countries are generally welcome as a source of development finance, and some developing countries have benefited substantially from foreign private investment. However, volatility in international financial markets and particularly short-term private capital flows has had destabilizing effects on many developing countries, in particular emerging-market economies, which often do not have the necessary institutional capacity and regulatory framework to mitigate its impact. Such volatility has frequently contributed to problems in managing interest rates and exchange rates, and to financial crises. There have also been episodes of adverse indirect effects on other developing countries through contagion.

15. Official development assistance (ODA) continues to play an essential role as a complement to other sources of financing for development. It can be critical for improving the environment for private sector activity. For many countries in Africa, least developed countries, small island developing States and landlocked developing countries, ODA is still the largest source of external financing and is critical to the achievement of international development goals, including those contained in the Millennium Declaration, and other development targets. During the 1990s, reduced flows of ODA, among other factors, adversely affected productive investment, as well as social and human development, particularly in many African and least developed countries. Although ODA has picked up in recent years, the fact that these flows are, on average, still far below targeted levels continues to be a major cause of concern.

16. Moreover, during the 1990s there was a build-up of unsustainable external debt in many developing countries, and these debt problems continue to be a serious obstacle to the pursuit of economic and social development. Notwithstanding progress in the implementation of the enhanced Heavily Indebted Poor Countries (HIPC) Initiative and the provision of substantial debt relief by bilateral official creditors, achieving long-term debt sustainability and at the same time a reduction in poverty remains a major problem for many low-income countries. Many recipient countries have identified difficulties that they face in complying with the conditionality attached to ODA flows and debt relief, and the complex process of preparing and implementing Poverty Reduction Strategy

Papers (PRSPs). PRSPs constitute an important instrument in the context of a coherent approach towards the objective of poverty reduction, as well as an important instrument to access concessional financing. The issue of long-term debt sustainability in middle-income countries remains a concern. The new Evian approach of the Paris Club to treating debt in non-HIPC countries is noted.

## **B. Policy response and UNCTAD's contribution**

17. In order to enable developing countries to reap greater benefits from globalization and to achieve the international development goals, including those contained in the Millennium Declaration, there is a need to enhance the coherence and consistency of the international monetary, financial and trading systems and global economic governance. It is important that development should be at the centre of the international economic agenda. Enhanced coherence between national development strategies, on the one hand, and international obligations and commitments, on the other, would contribute to the creation of an enabling economic environment for development. There is a need to broaden and strengthen the participation of developing countries and countries with economies in transition in international economic decision-making and norm-setting.

18. Measures to address problems arising from the volatility of international capital markets and short-term capital flows to developing countries should be considered at the international level, with a view to preventing financial crises and managing them appropriately should they occur. Such measures may include allowing developing countries the flexibility to choose exchange-rate regimes that are suited to their development strategies and their overall macroeconomic framework. Given each country's varying degree of national capacity, managing national external debt profiles, paying careful attention to currency and liquidity risk, strengthening prudential regulations and supervision of all financial institutions, including highly leveraged institutions, liberalizing capital flows in an orderly and well sequenced process consistent with development objectives, and implementation, on a progressive and voluntary basis, of internationally agreed codes and standards are also important. Domestic efforts to mitigate the consequences of external trade and financial shocks should be supported by effective international financial arrangements tailored to the needs of developing countries in a globalizing world economy. It is important to put in place a set of clear principles for the management and resolution of financial crises that provide for fair burden-sharing between public and private sectors and between debtors, creditors and investors.

19. Increased and concerted efforts should be made by the international community and debtor countries to reach a lasting solution to the external debt problems of developing countries. Speedy, effective and full implementation of the enhanced HIPC Initiative, which should be fully financed through additional resources, is critical. Furthermore, all official and commercial creditors are urged to participate in the HIPC Initiative. Heavily indebted poor countries should take or continue to take policy measures required to ensure the full implementation of the Initiative. Careful consideration should be given in the relevant fora to options to deal with the HIPC sunset clause, which is scheduled to take effect at the end of 2004. In this regard, concerns have been expressed about issues such as the amount of debt that can be treated and the conditions for debt relief. In this context, it is important to have continued flexibility with regard to eligibility criteria and to keep the computational procedures and assumptions underlying debt sustainability analysis under review. Future reviews of debt sustainability should bear in mind the impact of debt relief on progress towards the achievement of the development goals contained in the Millennium Declaration. Innovative mechanisms should be explored to comprehensively address debt problems of developing countries, including middle-income countries, and countries with economies in transition, with a view to supporting their economic growth and development. Debt relief measures should, where appropriate, be pursued vigorously and expeditiously in the context of economic reforms, including within the Paris and London Clubs and other relevant forums. Such measures should be supported by sound monetary, economic and fiscal policies in support of domestic investment, structural reforms and institution building. Developing country efforts to achieve and maintain debt sustainability should be supported by international assistance in the area of debt management and, where appropriate, by consideration of the provision of concessional finance and modification, including reduction, of aid conditionalities.

With a view to supporting the economic growth and development of low-income countries, resources should be provided on appropriate terms, including in respect of the degree of concessionality and the level of grant financing.

20. Consistent with the Monterrey Consensus, developed countries should assist developing countries in attaining international development goals, including those contained in the Millennium Declaration, by providing adequate technical and financial assistance and by making concrete efforts towards the targets for ODA of 0.7 per cent of GNP to developing countries and 0.15 per cent to 0.2 per cent of GNP to least developed countries. This should be linked to efforts to improve the quality and effectiveness of aid, including through better coordination, closer integration with national development strategies, greater predictability and stability, and genuine national ownership. Donors should be encouraged to take steps to ensure that resources provided for debt relief do not detract from ODA resources intended to be available for developing countries. Developing countries are encouraged to build on progress achieved in ensuring that ODA is used effectively to help achieve development goals and targets. In addition, voluntary financial mechanisms supportive of efforts to achieve sustained growth, development and poverty eradication should be explored.

21. Good governance within each country and at the international level is essential for sustained growth and development. Sound economic policies, solid democratic institutions responsive to the needs of people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation. Freedom, peace and security, domestic stability, respect for human rights, including the right to development, the rule of law, gender equality, market-oriented policies, and an overall commitment to just and democratic societies are also essential and mutually reinforcing. Transparency in the financial, monetary and trading systems, and full and effective participation of developing countries in global decision-making, are essential to good governance and to development and poverty eradication. These basic factors need to be complemented by policies at all levels to promote investment, building of local capabilities, and successful integration of developing countries into the world economy. A crucial task is to enhance the efficacy, coherence and consistency of macroeconomic policies.

22. States are strongly urged to take steps with a view to the avoidance of, and refrain from, any unilateral measure not in accordance with international law and the Charter of the United Nations that impedes the full achievement of economic and social development by the population of the affected countries, and that hinders the well-being of their population.

23. The experiences of the developing countries that have been able to launch and sustain a process of economic growth offer some general lessons on the ingredients of consistent and effective national development strategies. Adequate attention has to be paid not only to the objective of keeping inflation under control, but also to the need to create monetary and financial conditions that are conducive to sufficiently high rates of domestic investment to sustain high growth, full employment, poverty eradication, and sustainable fiscal and external balances to ensure that the benefits of growth reach all people. Policies designed to provide a conducive environment for private firms to reinvest profits, raise productivity, build capacity and generate employment must be actively pursued. Trade and financial linkages with the world economy cannot substitute for domestic forces of growth, but they can be an important complement to national efforts to promote growth and development. In order to maximize the benefits of globalization, the process of integration into the world economy should be tailored to the level of economic development of each country and the capacity of its institutions and enterprises. This process can be enhanced by well-designed measures in support of diversification of productive capacity and economic activities in areas that are the most dynamic in the world economy.

24. The different policy measures need to be applied in a pragmatic way that evolves through learning on the basis of concrete experience of what works and what does not in each country. There is a need for diversity in the formulation of national development strategies to meet the challenges of sustained economic growth and development, taking into account country-specific national development potentials and socio-economic circumstances, as well as different initial conditions in

terms of size, resource endowment, economic structure and location. Indeed, policy options and responses must change in an evolutionary way as an economy develops, while paying attention to the need to avoid distortive and protectionist measures that could undermine economic growth and development.

25. Regional arrangements among developing countries and South-South cooperation play an important role in supporting national development efforts. Regional integration in the areas of trade and finance, and an improvement in regional infrastructure, can help create regional growth dynamics and larger economic spaces. Economic cooperation arrangements among developing countries, as well as other development-oriented arrangements at the regional level, such as the New Partnership for Africa's Development and the Tokyo International Conference on African Development (TICAD) process, should be supported by the international community.

### **UNCTAD's contribution**

26. UNCTAD should continue its important role and specificity in delivering policy analysis and identifying policy options at the global and national level. The analytical capacity of UNCTAD to undertake research on macroeconomic policies, finance, debt and poverty, and their interdependence, should serve to assist developing countries and countries with economies in transition to face the challenges of globalization. In its work on globalization and development strategies, UNCTAD should focus on interdependence and coherence:

- Identifying specific needs and measures arising from the interdependence between trade, finance, investment, technology and macroeconomic policies from the point of view of its effect on development;
- Contributing to a better understanding of coherence between international economic rules, practices and processes, on the one hand, and national policies and development strategies, on the other;
- Supporting developing countries in their efforts to formulate development strategies adapted to the challenges of globalization.

27. The work should help identify policies at the international and national level that are favourable to development. UNCTAD's expertise should be used to explore how globalization can support development, and how appropriate development strategies should be formulated and implemented in support of a strategic integration of developing economies into the global economy. The work should also support greater understanding of the mutuality of interest between developed and developing economies in sustained and sustainable development.

28. At the international level, UNCTAD's work should contribute to increasing coherence in global economic policy-making, particularly in terms of the interdependence and consistency of international trade, investment and financial policies and arrangements, with a view to helping developing countries to integrate successfully into the global economy and to reap greater benefits from globalization. It should continue to address problems of developing countries arising from international financial instability; the role of private and official flows in financing development; the question of debt sustainability; the impact of trade and macroeconomic policies in the advanced industrial countries on development prospects of the developing countries; and the impact of regional integration on development.

29. At the national level, areas to which UNCTAD should give special attention include: the impact of growth-oriented macroeconomic and financial policies on trade and development; the creation of an enabling environment for the development of the private sector; policies to enhance the productive capacity of developing countries and improve their ability to compete in the global economy; income distribution and poverty alleviation; strengthening development-relevant domestic

institutions; and continuing assistance in debt management. In this context, lessons should be drawn from both successful experiences and failures.

30. Recognizing the need for diversity in national policies, UNCTAD should identify, from the point of view of trade and development and in light of the successful and less successful development experiences of the past, the basic elements of sound macroeconomic policies that are conducive to an expansion of productive capacity and productivity, faster and sustained growth, employment creation and poverty alleviation. UNCTAD should also analyse the impact of international policies and processes on the scope for implementing national development strategies.

31. Based on its analytical work, UNCTAD should continue to provide technical assistance and support developing countries in building national capacities in the areas of debt management through the Debt Management and Financial Analysis System (DMFAS) Programme, and for their participation in multilateral negotiating processes and international decision-making. Maximum synergy should be sought between analytical work and technical assistance.

32. UNCTAD's work on development strategies in a globalizing world economy should pay increasing attention to the problems of countries facing special circumstances, notably the trade and development problems of the African continent, in close cooperation with, and in support of, regional cooperation initiatives such as the New Partnership for Africa's Development (NEPAD).

33. UNCTAD should enhance its work on the special problems of LDCs, small island developing States, and of landlocked developing countries and the related special problems and challenges faced by transit developing countries as well as structurally weak, vulnerable, and small economies.

34. In view of the increasing marginalization of LDCs in the global economy, UNCTAD should continue to play a leading role in the substantive and technical implementation of the Programme of Action for the LDCs for the Decade 2001–2010. It should also continue to examine the causes of decline in the share of LDCs in world trade and the linkages between trade, growth and poverty reduction with a view to identifying long-term solutions to these problems. This analysis should be carried out on an annual basis through the *LDC Report*. Full implementation of activities in favour of LDCs requires a substantial increase in financial and technical assistance. In this regard, increased allocation of resources, including through regular replenishment of the existing Trust Fund for LDCs, is vital.

35. The assistance that the UNCTAD secretariat provides to the Palestinian people in the areas of capacity building, trade policy, trade facilitation, financial management, development strategies, and enterprise development and investment is welcome and should be strengthened with adequate resources.

## II. BUILDING PRODUCTIVE CAPACITIES AND INTERNATIONAL COMPETITIVENESS

### A. Policy analysis

36. An enabling international environment is essential for developing countries and economies in transition to integrate successfully into the world economy. Equally important is the need for these countries to build stronger supply capabilities responsive to market demands, promote technology development and transfer, encourage enterprise networking, increase productivity and improve the competitiveness of their enterprises. Investment plays a central role in this effort: it provides a crucial link between productive capacity building and international competitiveness. An essential lesson from the experiences of countries that have successfully promoted growth and development is the critical role of active and well sequenced policies to promote productive investment, develop human resources and efficient infrastructure, enhance institutional capacity, build technological capability, and support linkages between large and small enterprises.

37. The financing of productive capacity building is central to any development strategy. First and foremost there is a need to harness domestic resources for investment in productive capacity and technological upgrading. However, domestic resources, particularly in LDCs, need to be complemented by external capital flows in order to raise investment. Foreign direct investment (FDI) offers the potential to utilize foreign savings and to transfer knowledge and technology, upgrade human resources, boost entrepreneurship, introduce new production and management techniques and stimulate enterprise learning through linkages between foreign affiliates and domestic enterprises. While substantial progress has been made over the past 20 years, FDI flows to LDCs and Africa continue to be disappointingly low. The positive trend in FDI flows to Latin America has turned into a decline in recent years. The decline of flows to Asia since 2000 appears to be bottoming out. Furthermore, the extent to which full economic and social benefits can be derived from FDI is dependent on, among other things, a vibrant domestic private sector, improved access to international markets, well designed competition law and policy, and the implementation of investment policies as an integral part of national development strategies.

38. Creating an enabling environment in host countries for investment, technology and enterprise development is essential for building productive capacity. Policies and actions that home countries of investors can introduce to encourage investment and technology transfer and to increase the benefits that developing countries can generate from investment inflows can complement such efforts. Measures that engage corporate actors in the economic, social and environmental dimensions of this process are also important in this respect.

39. The proliferation of investment agreements requires policymakers and negotiators from developing countries, as well as other stakeholders, to be as familiar with, and as well informed as possible about, the obligations entailed in such agreements and their development implications. The complexity of the issues at stake, as well as the sheer volume of matters that need to be considered, often strain the resources of developing countries, both from a policy development point of view and from a negotiation and implementation perspective.

40. Information and communication technologies (ICTs) are becoming increasingly important for improving the competitiveness of enterprises. They help reduce transaction costs, provide opportunities to increase exports, open up wider markets, increase management efficiency and enhance flexibility in production processes. ICTs can be harnessed to play a central role in economic development and in the achievement of the international development goals, including those contained in the Millennium Declaration, including in the areas of poverty reduction and gender equality. But large disparities exist between countries in their access to, and ability to use, ICTs. For the digital divide to be reduced and the benefits of ICT to be realized in developing countries, there is

a need to create, with the effective support of the international community, an enabling environment conducive to the adoption and financing of ICT.

41. Efficient transport facilities and trade facilitation arrangements help to reduce transaction costs. They are essential to improve the international competitiveness of enterprises in developing countries and ease their participation in international trade. This is particularly relevant for small and medium-size enterprises (SMEs). In this respect, recently introduced security-related measures have changed the environment of the international transport of goods. Special consideration needs to be given to their impact on developing countries' trade and to the support that their implementation will require.

## **B. Policy response and UNCTAD's contribution**

42. Building productive capacities and enhancing international competitiveness requires a collective and coherent effort, primarily by the developing countries concerned, but also by home countries, investors and the international community as a whole.

43. Improving competitiveness requires deliberate specific and transparent national policies to foster a systematic upgrading of domestic productive capabilities. Such policies cover a range of areas, including investment, enterprise development, technology, competition policy,<sup>4</sup> skill formation, infrastructure development, the institutional aspects of building productive capacity, and policies that can contribute to the facilitation of sustained investment inflows, such as investment guarantee schemes and measures related to investment promotion and protection. SMEs that face difficulties in accessing finance, information, technology and markets, which are all essential elements of corporate competitiveness, require specific policies, programmes and institutional frameworks. Providing incentives for research and development, ensuring that the framework for intellectual property rights contributes to technological development, and taking measures to develop the human resource base are important ingredients in a technology policy package.

44. Enhancing the contribution of investment flows requires consideration of the policies and actions that home countries can introduce to encourage sustained investment flows and stimulate economic growth and development. Home countries can assist in the collection and dissemination of information related to investment opportunities in developing countries. They can encourage technology transfer, provide various forms of financial and fiscal incentives and help mitigate risk, for example by providing investment insurance against risks that may not normally be covered through the private insurance market. The provision of official development assistance could enhance national savings and investment and act as an additional catalyst to attract FDI. Further analysis is needed to assess the effectiveness of various measures and to explore the impact of home country measures on development and how this impact could be maximized. Such measures could not only help developing countries but also create new opportunities for investment and trade for home countries and their business community.

45. Private firms are important agents of development throughout the world. Within their respective spheres of action, corporate actors, especially transnational corporations (TNCs), have an important role in supporting technology transfer, supplier linkages and the provision of access to export markets for developing countries. Corporate responsibility was recognized at the Johannesburg World Summit on Sustainable Development. In this regard, corporate actors have a positive role to play in stimulating the economic development of host countries and in supporting social and environmental development and the competitiveness of local enterprises. There are various voluntary international instruments that could be improved and made more coherent, covering economic, social and environmental dimensions, to help increase the contribution of corporate actors, especially TNCs, to the advancement of development goals.

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<sup>4</sup> See chapter III, paragraphs 89 and 104.

46. In the area of investment policy-making, the challenge for the international community is to help build national capacity in developing countries, through policy analysis and human and institutional development, with a view to assisting these countries in participating as effectively as possible in discussions on investment agreements.

47. The development of efficient transport, communications and logistics infrastructure and services, which are strategic factors in building and maintaining enterprise competitiveness, requires priority attention in developing countries. A comprehensive national approach is required to strengthen the use and development of trade and transport capabilities, in cooperation, as appropriate, with neighbouring countries, through, as appropriate, institutional reform, public/private partnerships, adapting legal frameworks, streamlining administrative procedures, promoting the use of information and communication technology and developing managerial capacities. In addition, particular attention is needed to mitigate challenges posed by locational handicaps of landlocked countries and small island developing States. With regard to trade facilitation, Governments need to take steps to implement measures, where relevant, on the basis of internationally agreed rules, standards and recommendations. Coordinated trade facilitation measures are becoming increasingly important for enhancing efficiency, reducing transaction costs and maintaining supply capacities, particularly in the light of current security considerations. When putting in place the procedures and equipment required to comply with security regulations, countries should combine them with trade facilitation measures to provide both a more secure and a more efficient trade environment for all international partners. Special consideration will need to be given to the impact of security measures on developing countries' trade and to the support that their implementation will require.

48. For developing countries to take advantage of new technologies such as ICTs, it is important to formulate and implement ICT policies and strategies. This requires the involvement of all stakeholders, including the public sector, the business community and non-governmental organizations (NGOs). For effective implementation and in order to allow the benefits of ICTs to be more widely distributed, national ICT strategies need to be linked to other development policies, such as those relating to education, trade and investment, and include the gender dimension. The UN ICT Task Force has identified the urgent need to increase assistance for developing countries in formulating ICT strategies as one of its priority areas of work. The Plan of Action of the World Summit on the Information Society (WSIS) calls for action to promote development-oriented ICT applications for all, in particular the use of ICTs by SMEs to foster innovation, realize gains in productivity, reduce transaction costs and fight poverty. Thus, effective participation of developing countries in international deliberations and decision-making on ICT-related issues, such as the domain name system and Internet governance, is a vital complement to national development efforts related to ICTs.

### **UNCTAD's contribution**

49. The objective of UNCTAD's work in this area is to assist developing countries, in particular LDCs, to design and implement active policies for building productive capacity and international competitiveness, based on an integrated treatment of investment, corporate responsibility, technology transfer and innovation, enterprise development and business facilitation (including transportation and ICT), competitiveness, diversification and export capacity, to sustain a high level of growth and promote sustainable development.

50. UNCTAD should continue its work on investment, as well as technology and enterprise development, and – through policy analysis, technical assistance and capacity and consensus building – assist developing countries in policy formation and implementation in this regard, taking into account developments in the international economic environment. UNCTAD should pay particular attention to the international dimension in order to identify the opportunities for and obstacles to progress in economic development. In this respect, UNCTAD should also identify the most appropriate international response to maximize opportunities for economic development, and ensure complementarity in the provision of technical assistance.

51. UNCTAD should maintain its lead role in policy analysis on the impact of FDI on the development of host countries, and especially ways and means to maximize its benefits and minimize its costs through appropriate host and home country policies. It should collect and analyse data and conduct policy-oriented research on investment issues related to development, including the interaction of FDI and domestic investment, the interrelationship between ODA and FDI, the impact of FDI on industrialization and local entrepreneurship, the role of FDI in infrastructure development and export capacity building, human resource development, linkages between foreign and domestic firms, and best practices to encourage investment flows and benefit from them.

52. UNCTAD's analytical work should draw lessons from successful experiences with the transfer and diffusion of technology through FDI and other channels. It should also support efforts by developing countries, in particular LDCs, to respond to technological changes, identify best practices in transfer of technology and assess the effectiveness of policies aimed at domestic innovative capability-building, including the role of intellectual property rights. UNCTAD should furthermore assist developing countries in identifying ways and means to operationalize technology transfer clauses in international agreements, and in maximizing the potential benefits of those agreements.

53. UNCTAD should support efforts of developing countries and economies in transition to attract and benefit more from FDI, including by helping them to formulate and implement investment policies and by assisting with relevant legislation and regulations in line with their development strategies. Investment policy reviews and their follow-up, and assistance to national investment promotion agencies, can play a special role in this connection.

54. UNCTAD should examine the special problems that LDCs and African countries face in building productive capacities, especially how the risks associated with investing in these countries can be reduced, including through continuation of the work on the development of the insurance sector, and how the contribution of investment to competitiveness, diversified products and markets, and niche advantages can be increased. Special programmes to help attract FDI and benefit more from it, including through investment guides and advisory services, have a role to play here.

55. UNCTAD should collect, analyse and disseminate data on best practices for stimulating enterprise development and identify ways and means for enterprises, especially developing countries' SMEs, to meet international standards, including accounting standards, as well as to access new technologies through networking and partnering. In particular, it should analyse the linkages between SMEs and foreign affiliates in order to increase the benefit of FDI and enhance the productivity and international competitiveness of developing countries' enterprises.

56. UNCTAD should examine the potential of investment agreements to facilitate FDI flows and further the ability of countries to pursue development-oriented policies. It should continue to provide a forum for exchange of experiences and consensus building on the formulation of investment and technology transfer arrangements, with a view to promoting the development dimension. This work should include a further clarification of the key issues at stake and a review of experience in implementing international commitments. UNCTAD should also examine the development implications of investment and technology transfer arrangements that are under consideration with a view to maximizing their contribution to development.

57. UNCTAD should provide policy analysis and compile inventories of best practices in home country measures to encourage investment flows to developing countries, particularly LDCs. It should also develop and implement related technical assistance and capacity building activities to help developing countries take advantage of such initiatives.

58. UNCTAD should carry out analytical work with a view towards facilitating and enhancing positive corporate contributions to the economic and social development of host developing countries. UNCTAD should consult with all interested parties as appropriate, including in particular UNCTAD's private sector business partners, in carrying out this work. Taking into account existing international

initiatives in this area, UNCTAD should draw lessons as far as the trade and development dimension is concerned and make the outcome of such work available to those parties interested or seeking guidance on this matter.

59. UNCTAD should continue to play an important role in areas of trade facilitation, transport and related services of interest to developing countries and should continue to undertake research and analysis with a view to assisting developing countries to establish an appropriate framework for policy action in the area of transport. It should analyse and promote the exchange of experiences on new developments relating to trade facilitation and transport, with specific emphasis on their impact on developing countries. UNCTAD, in consultation with competent international organizations, should follow current and emerging developments on security arrangements, analyse their implications for developing countries, and facilitate the exchange of views and experiences among interested parties in order to help build an environment that is facilitative of international trade and that is secure.

60. In order to facilitate the transfer of know-how to developing countries, UNCTAD should strengthen its assistance in the area of building transport capacity, including in the field of multimodal transport, logistics, legal frameworks, containerization and its international implications.

61. UNCTAD should assist developing countries in formulating and implementing national ICT policies and strategies that will foster the promotion of e-business. Such assistance should include the development and application of mechanisms for monitoring and measuring overall digital economy developments and ICT use in countries. UNCTAD should support the efforts of developing countries in developing e-business in sectors that are of economic importance and have export capacity, through a mix of sector-specific policies, training programmes and deployment of ICT tools.

62. UNCTAD should continue providing a forum for developing countries to discuss ICT-related policy issues, exchange of experience and best practices. It should assist developing countries to participate actively in relevant international discussions on ICT and the knowledge economy and contribute to the implementation of the WSIS Declaration of Principles and Plan of Action in the area of UNCTAD's competence, including as regards key development aspects of issues pending from the first phase of WSIS and in preparation for the second phase scheduled in Tunis in 2005. In implementing this work, UNCTAD should work in close collaboration with the relevant international organizations.

### **III. Assuring development gains from the international trading system and trade negotiations**

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

63. Trade is not an end in itself, but a means to growth and development. Trade and development policies are an important instrument inasmuch as they are integrated in national development plans and poverty reduction strategies aiming at goals such as growth, economic transformation and production, diversification, export value-added, employment expansion, poverty eradication, gender equity, and sustainable development. Coherence and consistency among trade and other economic policies being pursued at the national, bilateral, regional and multilateral levels by all countries are important for maximizing the contribution of such policies to development.

64. Over 50 developing countries depend on the exports of three or fewer commodities for more than half of their export earnings. The decline and instability of world commodity prices and resulting terms-of-trade losses have reduced economic growth in many developing countries, particularly in economies that are not diversified, such as the LDCs and the African countries, and contributed to increased poverty and indebtedness. Moreover, the added value retained by many developing countries' producers of commodities is decreasing in some sectors, and their participation in domestic and international value chains is a major challenge. This situation may be further complicated by concentrated market structures at the international and national level. Furthermore, countries often face difficulties in meeting the standards and requirements in developed countries' markets.

65. On the other hand, the dynamic sectors in world trade represent new and emerging trading prospects for developing countries, and enhancing their participation in such sectors is important in realizing development gains from international trade and trade negotiations. New opportunities are also provided by high-value-added, special and niche product and services sectors in which developing countries have potential comparative advantages. Creative industries can help foster positive externalities while preserving and promoting cultural heritages and diversity. Enhancing developing countries' participation in and benefit from new and dynamic growth opportunities in world trade is important in realizing development gains from international trade and trade negotiations, and represents a positive sum game for developed and developing countries.

66. Most developing countries have made important efforts at trade liberalization under very difficult circumstances, underscoring their interest in using trade as an engine of development and poverty reduction. They deserve due recognition for their efforts in this respect. Some have succeeded in participating in global export growth in a sustainable way. Others, however, have not. The share of the African countries and LDCs in world trade has continued to fall, and their terms of trade have deteriorated, making it difficult for them to build competitive productive and supply capacity. In the face of this, all WTO members have committed themselves to the objectives of duty-free, quota-free market access for products originating in LDCs. Equally important are the special needs of small economies, small island developing States and of landlocked developing countries, within a new global framework for transit transport cooperation for landlocked and transit developing countries in accordance with the Almaty Ministerial Declaration and the Almaty Programme of Action, particularly those relating to their inherent disadvantages and vulnerabilities. The challenge remains to increase the participation of a wider number of developing countries in global export growth. In this context it is necessary to take into account the specific development, financial and trade needs of developing countries, considering that there is no one-size-fits-all trade and development strategy.

67. All countries have a shared interest in the success of the Doha Work Programme, which aims both at further increasing trading opportunities and reducing barriers to trade amongst nations and at making the trading system more development-friendly. This would contribute to the objective of upholding and safeguarding an open, equitable, rule-based, predictable and non-discriminatory

multilateral trading system. A major contribution of the Doha Ministerial Declaration was to place the needs and interests of developing countries at the heart of the Doha Work Programme. This important objective needs to be pursued with a view to bringing about concrete development-oriented outcomes from the multilateral trade negotiations.

68. As identified in the Doha Work Programme and in its implementation, the Monterrey Consensus and General Assembly resolution 58/197 on international trade and development, issues of particular concern to developing countries and countries with economies in transition in international trade include:

- Trade barriers, trade-distorting subsidies and other trade-distorting measures, particularly in sectors of special export interest to developing countries, including agriculture;
- The abuse of antidumping measures;
- Technical barriers and sanitary and phytosanitary measures;
- Trade liberalization in labour-intensive manufactures;
- Trade liberalization in agricultural products;
- Trade in services;
- Tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers;
- The movement of natural persons;
- The lack of recognition of intellectual property rights for the protection of traditional knowledge and folklore;
- The transfer of knowledge and technology;
- The implementation and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights in a manner supportive of public health;
- The need for special and differential treatment provisions for developing countries in trade agreements to be made more precise, effective and operational;
- WTO accession;
- Trade preferences;
- Issues for LDCs and small economies;
- Expedious and appropriate resolution of outstanding implementation-related issues and concerns.

69. Trade is a key aspect of regional integration efforts, and regional trade agreements can be a major facilitator of both South-South and North-South trade. South-South trade has high potential for growth, is expanding rapidly and is being liberalized. This should continue and be encouraged. The Global System of Trade Preferences among Developing Countries (GSTP) is among the instruments available to developing countries to generate additional trading opportunities, particularly for LDCs.

70. Most favoured nation (MFN) liberalization on goods and services of export interest to developing countries has important benefits for the global trading system as a whole, and will contribute to enhanced North-South and South-South trade.

71. Trade and environment could be mutually supportive, and this objective should be pursued in a manner consistent with an open, equitable, rules-based, predictable and non-discriminatory multilateral trading system.

72. Competition policies best suited to their development needs are important for developing countries in safeguarding against anti-competitive behaviour in their domestic markets, as well as in responding effectively to a range of anti-competitive practices in international markets, which often considerably reduce the positive effects of trade liberalization for consumers and enterprises, especially SMEs.

## **B. Policy response and UNCTAD's contribution**

73. Trade policies of developing countries should suit their needs and circumstances, be integrated into national development policies and be aimed at reducing poverty and supporting growth and sustainable development, as well as gender equality. Increases in export value-added, full exploitation of preferences, enhanced diversification, increased local content and knowledge content, the creation of employment, food security, traditional knowledge and access to essential services are potential means to these ends and could enhance opportunities for developing countries' expanding populations. In implementing national trade and trade-related policies, the developing countries need to pursue a strategic and appropriately sequenced approach to liberalization after careful analysis of the export potential of key sectors. Strengthening an enabling trade, investment and business environment through the adoption of appropriate domestic measures and conditions will help encourage local, regional and international investment.

74. A concerted focus should be put on the difficulties faced by commodity-dependent developing countries. Efforts by these countries to restructure, diversify and strengthen the competitiveness of their commodity sectors, including through local processing, should be supported, including by the provision of enhanced market access on a secure and predictable basis, adequate technical and financial assistance, and strengthening of capacity and institutions, in both the public and the private sectors. Investments in infrastructure, domestic structural reforms and prudent and transparent fiscal policies will encourage productive investment in the commodity sector. Existing compensatory financing schemes should be reviewed with a view to assessing their effectiveness and, as may be required, making them more user-friendly and predictable and possibly combining them with modern risk management and risk-sharing instruments. The potential of regional integration and cooperation to improve the effectiveness of traditional commodity sectors and support diversification efforts should be exploited. Relevant suggestions contained in the report of the Meeting of Eminent Persons on Commodity Issues<sup>5</sup> and the relevant outcome of discussions at the fiftieth session of the Trade and Development Board and in the General Assembly on the report should be given serious consideration. Support for commodity development projects – especially market-based projects – and for their preparation under the Second Account of the Common Fund for Commodities should be encouraged. It is also important to address fully the problem of the cotton sector faced by African countries at the national level and in the relevant fora at the international level.

75. Agriculture is a central element in the current negotiations. Efforts should be intensified to achieve the internationally agreed aims embodied in the three pillars of the Doha mandate, namely substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. The negotiations on agriculture taking place in the WTO should deliver an outcome that is consistent with the ambition set out in the Doha mandate. Special and differential treatment for developing countries shall be an

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<sup>5</sup> TD/B/50/11.

integral part of all elements of the negotiations and shall take fully into account development needs in a manner consistent with the Doha mandate, including food security and rural development. Non-trade concerns of countries will be taken into account, as provided for in the Agreement on Agriculture, in accordance with paragraph 13 of the Doha Ministerial Declaration.

76. The Marrakech Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Programme on Least Developed and Net Food-Importing Developing Countries should be implemented effectively.

77. Efforts at extending market access liberalization for non-agricultural products under the Doha Work Programme should be intensified with the aim of reducing or, as appropriate, eliminating tariffs, including tariff peaks, high tariffs and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Negotiations should take fully into account the special needs and interests of developing countries and LDCs, including through less than full reciprocity in reduction commitments.

78. All services sectors play a role in a country's development, and Governments should give due priority to services policies and national strategies, as well as to the principle of progressive liberalization, with due respect for national policy objectives and the level of development of individual countries, as provided under Article XIX of the General Agreement on Trade in Services (GATS). Negotiations in trade in services should fully observe the objectives stipulated in the GATS – including the Preamble, Article IV and Article XIX – as well as the development provisions of the WTO Guidelines and Procedures for the Negotiations on Trade in Services, including in relation to effective multilateral commitments on services sectors and modes of supply of export interest to developing countries. In this context, developing countries underscore the importance to them of effective liberalization of temporary movement of natural persons under Mode 4 of GATS. Multilateral rule-making in services should be given attention, taking into account the interests and concerns of developing countries. Negotiations on infrastructure services should give due attention to the concerns of all countries, especially developing countries, including in connection with the universal provision of essential services.

79. Standards and technical regulations must be developed transparently and applied non-discriminatorily, and should not pose unnecessary obstacles to trade. Developing countries should continue to be provided with technical assistance and capacity-building support to meet standards effectively. In addition to difficulties in meeting standards, the other challenges of market entry remain a key concern in developing countries' efforts to enjoy effective market access, and, where appropriate, these should be addressed adequately.

80. The use of unilateral actions that are inconsistent with WTO rules can have a negative effect on efforts to move towards a truly non-discriminatory and open system.

81. The outstanding implementation issues and concerns are a matter of utmost importance to developing countries and should be addressed in a manner consistent with the Doha Work Programme. In addition, further consideration should be given to assisting developing countries in implementing multilateral trade agreements and meeting adjustment and social costs.

82. Special and differential treatment (S&DT) provisions should be conceived as a developmental tool addressing developing countries' particular needs and reviewed with a view to making them more precise, effective and operational, in order, *inter alia*, to facilitate the beneficial and fuller integration of developing countries into the rules-based multilateral trading system. The work so far undertaken on agreement-specific S&DT proposals, as well as cross-cutting issues, should be further pursued to yield a meaningful and development-oriented outcome consistent with the objectives set out in the Doha Declaration.

83. Expeditious progress is required to meet the key concerns of the LDCs, including duty-free and quota-free market access on a secure and predictable basis for products originating from LDCs by developed countries, and others are urged to provide meaningful market access for LDCs consistent with the Doha Ministerial Declaration; implementation of the Third United Nations LDC Conference commitment on providing duty-free and quota-free access; assistance in addressing difficulties faced in meeting rules of origin, as well as product and environmental standards in preferential schemes; and enhancing technical and financial assistance and capacity building generally.

84. The particular problems of small, vulnerable developing economies, including small island developing States and of landlocked developing countries within a new global framework for transit transport cooperation for landlocked and transit developing countries, should be given special consideration. In most cases the transit neighbours of landlocked developing countries are themselves developing countries, often of broadly similar economic structure and beset by similar scarcity of resources. Priority should be given to the full and timely implementation of the Almaty Ministerial Declaration and the Almaty Programme of Action: Addressing the Special Needs of Landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries. All efforts must be made to ensure a successful outcome of the International Meeting for the 10-year Review of the Barbados Programme of Action for the Sustainable Development of Small Island Developing States in Mauritius in January 2005, which should contribute to the beneficial integration of the small island developing States (SIDS) into the international trading system and the world economy. The examination of issues relating to the trade of small, vulnerable economies, and the framing of responses to these trade-related issues to facilitate their fuller integration into the multilateral trading system should be actively pursued consistent with the Doha Work Programme.

85. WTO Members should fully and faithfully implement the guidelines on LDC accession to the WTO that were adopted by the WTO General Council on 10 December 2002. The process of accession of developing countries to the WTO should be consistent with WTO agreements and with their developing country status. Accession of countries with economies in transition should also be consistent with WTO agreements and with their status.

86. Positive and appropriate measures to mitigate the adverse impact of the erosion of preferences arising *inter alia* out of the ongoing market access negotiations should be formulated and implemented. Additionally there is an urgent need to enhance the utilization of preferential schemes, including through less onerous rules of origin and criteria, such as flexibility in cumulation, that meet the production capacity of developing countries and allow them more scope to source inputs from other developing countries; increased technical assistance; and awareness raising among entrepreneurs with regard to making use of trade preferences. The international community should support preference-dependent countries in their efforts to diversify their export base and develop new export markets. Strategies to promote adjustment by preference-dependent firms and industries to more open international markets should also be put in place.

87. Trade and environmental policies should be mutually supportive and guided by a development-oriented approach. Further, efforts should be made to identify and promote environmental goods and services of actual and potential export interest to developing countries, as well as monitor environmental measures affecting exports of developing countries.

88. Full attention and support should be given to the protection, preservation and promotion of traditional knowledge, innovation and practices and biological resources of developing countries.

89. Efforts should be made to prevent and dismantle anti-competitive structures and practices and promote responsibility and accountability of corporate actors at both the national and the international level, thereby enabling developing countries' producers, enterprises and consumers to take advantage of trade liberalization. This should be supplemented by the promotion of a culture of competition and improved cooperation between competition authorities. Developing countries are encouraged to

consider, as a matter of importance, establishing competition laws and frameworks best suited to their development needs, complemented by technical and financial assistance for capacity building, taking fully into account national policy objectives and capacity constraints.

90. The relationship between trade, debt and finance and the relationship between trade and transfer of technology are important for developing countries. Consistent with the Doha mandates, work in these areas should continue in pursuit of the agreed objectives. This would *inter alia* contribute to increased technology flows to developing countries, strengthening of the coherence of international trade and financial policies, and a durable solution to the problem of external indebtedness of developing countries.

91. The international community should support national efforts of developing countries to increase their participation in and benefit from dynamic sectors and to foster, protect and promote their creative industries.

92. Development partners should continue to contribute to the promotion of South-South trade and economic cooperation, as well as North-South trade. The Global System of Trade Preferences among Developing Countries (GSTP) is an instrument to stimulate South-South trade, and its revitalization is an important priority. Developing countries should continue to make use of regional and subregional trade and economic cooperation to increase trade flows.

93. Ongoing work within the framework of the United Nations Commission on International Trade Law (UNCITRAL) needs to continue to take into account the concerns and interests of developing countries. As well as market access and investment, policies should encourage long-term sustainability of supply capacities in developing countries. Developing countries should continue to be provided with increased financial and technical assistance to continue their efforts at removing procedural and institutional bottlenecks to reduce transaction costs through the implementation of transport and trade efficiency measures and at improving standards and quality control.

94. While developing countries must continue to assume responsibility for their own development, the international community should assist developing countries, especially LDCs, in their efforts to develop human, institutional, regulatory and R&D capacities and infrastructures for effective, informed and beneficial participation in international trade and the international trading system and for effective negotiations on international trade and related areas. Adequate resources should be allocated for these purposes, in particular within the framework provided by national development strategies and including those strategies aimed at poverty reduction that integrate trade-related assistance and capacity building needs, including supply-side needs.

### **UNCTAD's contribution**

95. UNCTAD should build on and strengthen the implementation of the Bangkok Plan of Action within the three pillars of its work. To achieve this aim, UNCTAD should:

- Continue to monitor and assess the evolution of the international trading system and of trends in international trade from a development perspective, and in particular analyse issues of concern to developing countries;
- Convene sectoral reviews on dynamic sectors of world trade;
- Help consensus and confidence building;
- Help develop capacities in developing countries to establish their own negotiating priorities and negotiate trade agreements, including under the Doha Work Programme;

- Enhance support to developing countries and countries with economies in transition in the formulation, implementation and review of national trade and trade-related policies and options with a view to maximizing their share of world trade; and monitor and analyse the impact of trade-related policies, particularly of their major trading partners, on developing countries;
- Help strengthen human resources, know-how and competences and institutional and regulatory frameworks and infrastructure in the field of trade;
- Elaborate development benchmarks to assess how effectively developing countries are integrating into and deriving gains from the international trading system;
- Help ensure that anti-competitive practices do not impede or negate the realization of the benefits that should arise from liberalization in globalized markets, in particular for developing countries and LDCs;
- Assist developing countries to integrate trade and development concerns into their national development plans and poverty reduction strategies, as well as in their implementation.

96. UNCTAD should also examine and monitor the interface between the multilateral trading system and regional trade agreements, including in respect of S&DT, and support regional integration and the promotion of South-South trade. In particular, UNCTAD, in cooperation with other development partners, should help developing countries support and strengthen their trade policy capacity at the regional level, including aspects such as investment, regional institution building, standard setting and business regulation, and provide support to regional integration efforts.

97. UNCTAD should examine ways of improving the utilization of trade preferences and of making preference schemes more predictable, and it should continue its work on the issue of erosion of preferences. It should also continue its support for the revitalization and greater utilization of the Global System of Trade Preferences among Developing Countries (GSTP) and other initiatives that stimulate South-South trade.

98. UNCTAD should provide enhanced technical support and cooperation to all developing countries, particularly LDCs, and to countries with economies in transition prior to, during, and in the follow-up to their WTO accession process.

99. UNCTAD should assist developing countries in strengthening their capabilities to increase their participation in global services trade, including the assessment of their trade in services capacity, particularly in the new and emerging fields of information and communication technology, but also in such areas as infrastructure and tourism services, especially the promotion of sustainable tourism, as well as the temporary movement of natural persons. UNCTAD should examine all issues related to liberalization of trade in services, including Mode 4, and apply the insights gained through its analytical work to help strengthen the domestic services capacity of developing countries. UNCTAD should continue its analytical work on GATS rules and domestic regulation. It should further assess modal linkages in services supply and in particular linkages with Mode 1.

100. UNCTAD should continue to monitor developments in commodity markets and assist developing countries, in particular those most dependent on commodities, in formulating strategies and policies to respond to the challenges of commodity markets, including over-supply, and addressing links between international commodity trade and national development, particularly poverty reduction. It should analyse and promote exchange of information on commodity markets and experiences with factors, policy issues and responses influencing the competitiveness of the commodity sector so as to contribute to diversification, adding value, and more effective participation in the supply chain, including through assistance for institution building; analyse and support the development of appropriate and effective mechanisms and capacity to respond to commodity price

fluctuations and to mitigate earnings shortfalls, in particular by improving the capacity to apply modern commodity price risk management and financial instruments; and follow up, as appropriate, on the recommendations addressed to UNCTAD in the report of the Meeting of Eminent Persons on Commodity Issues. UNCTAD should also continue work on agricultural, forestry and fishery products, metals and minerals, and oil and oil products. It should further help to build effective partnerships among relevant stakeholders aiming at viable solutions and sustainable approaches to commodity problems, including by fostering public-private cooperation in commodity chains with a view to ensuring, *inter alia* through market-based principles, a more equitable distribution of revenues and benefits along the supply chain and supporting diversification. It should include a regional perspective in its work. UNCTAD and the Common Fund for Commodities should strengthen their cooperation.

101. UNCTAD should undertake analysis, including at the regional level, of the development dimension of intellectual property and trade-related aspects of intellectual property rights (TRIPS), including improvements in the transfer of technology to developing countries, the development dimensions and implications of the establishment and enforcement of intellectual property rights, as well as protection of traditional knowledge, genetic resources, and folklore and fair and equitable sharing, without prejudice to the work undertaken in other fora.

102. UNCTAD should also undertake analysis on trade and development aspects of open and collaborative projects, including open source software, focusing on the development dimension. Such work should pay particular attention to ICT sectors.

103. UNCTAD should continue to provide support to developing countries on issues at the interface between trade and environment, such as market access, agriculture, traditional knowledge, transfer of environmentally sound technology, environmental goods and services, environmentally preferable products, and issues concerning eco-labelling and certification costs, and follow up on trade-related issues contained in the Johannesburg Plan of Implementation. It should strengthen work on the BIOTRADE Initiative and the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF).

104. UNCTAD should further strengthen analytical work and capacity building activities to assist developing countries on issues related to competition law and policies, including at a regional level.

105. UNCTAD should support developing countries in analysing appropriate linkages between trade and poverty, and trade and gender.

106. UNCTAD should contribute to the analysis of the linkages between trade and trade-related interests of developing countries, financial flows, debt relief and debt sustainability.

107. UNCTAD should examine policy proposals and regulatory regimes relating to transport and trade facilitation, thereby assisting developing countries in formulating policy measures to build their transport supply capacities and to assist traders to take advantage of transport opportunities; analyse the implications of ongoing developments, and assist developing countries in the ongoing work in UNCITRAL; and provide technical assistance to developing countries, including landlocked and transit developing countries, highly indebted poor countries and small vulnerable economies to improve the availability and efficiency of infrastructure facilities to support trade.

108. UNCTAD should intensify its trade and trade-related technical cooperation and capacity building activities. It should strengthen its contribution to the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF) and the Joint Integrated Technical Assistance Programme (JITAP). UNCTAD should also enhance its collaboration with local partners in developing countries.

109. One of the concrete results of UNCTAD X was the pioneer establishment of the International Institute for Trade and Development (ITD), which aims to provide a mechanism to foster knowledge and provide training and capacity-building to developing countries. UNCTAD and the international community should continue to provide assistance to such efforts in line with paragraph 166 of the Bangkok Plan of Action.

## IV. PARTNERSHIP FOR DEVELOPMENT

110. Efforts to meet the challenges and opportunities of globalization could benefit from enhanced cooperation between all relevant partners. Recent developments within the United Nations have shown that international cooperation for development relies more and more on a multi-stakeholder approach. UNCTAD has played a pioneering role in developing partnerships with various components of civil society. Since UNCTAD X, the concept of partnerships has evolved significantly, in particular from its conceptual development towards actual implementation. The experience of the Monterrey and Johannesburg Conferences has allowed member States to further refine mechanisms for interacting with non-state actors, to define the principles guiding the building of multi-stakeholder partnerships and to contribute to their implementation.

### A. Policy response and UNCTAD's contribution

111. Partnerships are a set of activities with well-defined objectives, expected benefits, timeframes and sources of funding. Their contribution to the achievement of the international development goals, including those contained in the United Nations Millennium Declaration, has often been stressed. They are a complement to but not intended to substitute for intergovernmental machinery, decisions and activities. They have a voluntary, multi-stakeholder approach and preferably involve a range of significant actors in a given area of work. While recognizing the central role and responsibility of Governments in national and international policy-making, the contribution of the private sector, non-governmental organizations and civil society in general to the implementation of the outcomes of the UN conferences in the economic, social and related fields should be underlined. Partnerships can be arranged among any combination of partners, including Governments, regional groups, local authorities, non-governmental organizations, academic and research institutions, international and regional organizations, and private sector partners and other civil society organizations. All such stakeholders, in particular the private sector, are encouraged to bring their contribution to the building and implementation of partnerships in accordance with the provisions of General Assembly resolution 58/129. Partnerships should be consistent with national laws and national development strategies and plans, as well as the priorities of countries where their implementation takes place, bearing in mind the relevant guidance provided by Governments.

112. In building partnerships, the UNCTAD secretariat is guided by the criteria and principles agreed to by member States in the preparatory process for and the follow-up to the World Summit on Sustainable Development<sup>6</sup> and by General Assembly resolution 58/129. New partnerships developed within the framework of the UNCTAD XI process represent specific commitments by various partners intended to contribute to and reinforce the implementation of the outcomes of the intergovernmental negotiations of UNCTAD XI. They will also help achieve related international development goals, including those contained in the Millennium Declaration. Partnerships follow the principles of transparency, accountability, mutual benefit and respect, sectoral and geographical balance and not compromising the sovereign right of States nor the independence and neutrality of the UN system.

113. Partnerships should be of benefit to as many developing countries as possible from all geographical regions, taking into account their national policies and strategies. Attention should also be paid to regional integration and other aspects of South-South cooperation, Africa and LDCs. Partnerships should rely on the resources and expertise brought in by the partners and should not affect the resources allocated to regular budget activities. There should be truly multi-stakeholder arrangements, open to all those interested, whether Governments, NGOs, the private sector, academic institutions or parliamentarians. Particular attention should be paid to collaboration with organizations of the UN system, its funds and programmes, and international financial and trade institutions. The

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<sup>6</sup> Report of the Commission on Sustainable Development on its eleventh session, 27 January 2003 and 28 April – 9 May 2003 (E/2003/29).

ongoing inter-institutional cooperation and the experience of the Integrated Framework for Trade-related Technical Assistance to LDCs (IF) and the Joint Integrated Technical Assistance Programme (JITAP) should be further built upon. General Assembly resolution 58/129 of 19 December 2003 and the UN guidelines on relations with the private sector should be followed. The emphasis should be on the quality and long-term viability of the partnerships, rather than on quantity.

### **UNCTAD's contribution**

114. Partnerships in the areas of ICT for development, commodities, investment, and capacity building and training, including training, academic and research institutions, are being launched at the Conference (annex<sup>7</sup>). The Trade and Development Board will review the implementation of partnerships annually, on the basis of a report by the Secretary-General of UNCTAD that will set out the continued relevance and extent of partner funding of each individual partnership and its contribution to the implementation of the outcome of UNCTAD XI. The report will also assess the partnership programme as a whole, with a view to sharing lessons learnt, progress made, and best practices.

115. UNCTAD should make the participation of civil society, in particular NGOs and academic circles, the private sector and other organizations of the UN system more systematic and better integrated with intergovernmental processes, in accordance with relevant rules of procedure of UNCTAD. The objective should be to enhance the value added and the result orientation of this cooperation for the benefit of UNCTAD's work and that of member States. In this regard, more active participation by NGOs and the business community of developing countries is desired. Cooperation with NGOs and parliamentarians could aim *inter alia* at enhancing their advocacy role in support of international cooperation for development. Interaction with academic and research institutions and the promotion of networking of researchers from developing countries could be of benefit both to these institutions and to UNCTAD through sharing of the outcomes of their analysis and research, relevant studies and knowledge, and by integrating UNCTAD courses into the curricula of such institutions.

116. UNCTAD should make maximum use of the experience of the United Nations in this respect, in particular that of the World Summit on Sustainable Development and its follow-up process. The pragmatic and practical dimension of the relationship with civil society, the business sector and parliamentarians, as well as with other organizations from within and outside the UN system, should receive priority attention.

117. The Trade and Development Board will arrange for half-day informal hearings with non-state actors to allow them to express their views on the issues before the Board. The outcome of the informal hearings will be summarized by the secretariat for submission as an input into the discussions of the Board. Participation will be based on the procedure applied for the participation of civil society and private sector organizations during the preparatory process of the Conference. Efforts should be made, including through dedicated extrabudgetary contributions, to ensure effective representation and more active participation in such hearings of civil society from developing countries.

118. The involvement of civil society, from both developed and developing countries, in the work of the Commissions and Expert Meetings should continue, in accordance with the rules adopted by the Trade and Development Board for this purpose, including through joint meetings and the organization of discussion forums on issues to which multi-stakeholder dialogue is relevant.

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<sup>7</sup> The Conference took note of the annex at its 269<sup>th</sup> plenary meeting on 18 June 2004 and decided to attach it to the São Paulo Consensus on the understanding that the process of building the UNCTAD XI multi-stakeholder partnerships would evolve over time and that their implementation would depend on the availability of the necessary resources, to be provided by UNCTAD and other partners.

## Annex<sup>8</sup>

### UNCTAD XI Multi-Stakeholder Partnerships

#### A. Information and communication technologies for development (ICTfD)

1. Partnership activities will be built around the objective of “ICT applications for improving the economic competitiveness of developing countries”, especially as regards trade and development. UNCTAD will use its experience and associate itself fully with relevant existing initiatives. The ICTfD partnership will include:

- *Activities that enable developing countries to take full advantage of free and open source software.* Free and open source software (FOSS) is a key factor in the spread of ICT opportunities in developing countries. Partnership activities will be designed to encourage widespread information technology (IT) training programmes in developing countries on FOSS-related issues. IT companies and training institutions involved in ICT applications will be the main partners.
- *E-tourism.* For many *developing* countries, tourism is of strategic importance and a major source of foreign exchange earnings. As tourism is an information-intensive service, the UNCTAD e-tourism initiative is designed to give developing countries the technical means to promote, market and sell their tourism services online. Partners will include member States, the World Tourism Organization, UNESCO, national tourism authorities and universities. Other potential partners include regional groupings of developing countries, transport operators and IT companies.
- *The development of national e-strategies and e-policies.* Developing countries are seeking to design and implement national strategies to manage the development of appropriate ICT regulatory, legislative and policy frameworks. UNCTAD is joining the Global ePolicy Resource Network (ePol-NET) as a partner by providing its expertise in the design of e-strategies, as well as on specific subjects such as e-commerce, legal and regulatory issues, e-measurement, e-finance and aspects of e-government, thereby enhancing efficiency and effectiveness. ePol-NET functions as a virtual network. Partners so far include the Government of Ireland, which is providing the secretariat for the partnership, as well as the Governments of Canada, France, Italy, Japan and the United Kingdom; ECA; ITU; UNDP; OECD and the Commonwealth Telecommunications Organisation.
- *E-measurement and ICT indicators.* E-measurement is crucial for assessing the state of advancement of developing countries in the use and impact of ICTs. The WSIS Plan of Action calls for the development of indicators to monitor progress in the use of information and communication technologies for development for – and after – the Tunis phase of the Summit. The principal stakeholders of the partnership have agreed on the following objectives: (i) to *identify* a set of core indicators that could be collected by all countries and harmonized at the international level so as to facilitate, *inter alia*, measurement of the attainment of international development goals, including those contained in the Millennium Declaration; (ii) to assist developing countries in building capacity to monitor ICT developments at the national level; and (iii) to develop a global database on ICT indicators. Partnership activities will embrace member States, OECD, ITU, UNESCO and the UN ICT

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<sup>8</sup> The Conference took note of this annex at its 269th plenary meeting on 18 June 2004 and decided to attach it to the São Paulo Consensus on the understanding that the process of building the UNCTAD XI multi-stakeholder partnerships would evolve over time and that their implementation would depend on the availability of the necessary resources, to be provided by UNCTAD and other partners.

Task Force, as well as the UN regional commissions and other relevant regional bodies working on e-measurement issues.

- *Activities regarding e-business and e-finance.* Lack of adequate information at the disposal of financial service providers on SMEs and their payment performance is one of the main reasons for bias against SME financing. The partnership is designed to explore the opportunities arising *from* innovative Internet-based electronic finance methods and their data mining capacities and find ways of improving the SMEs' access to trade-related finance and e-finance. Leading partners will include international and local financial service providers, enterprise associations, Governments and other public entities, international organizations including the World Bank, WTO and ITC, as well NGOs such as the World Trade Point Federation.

## **B. Commodities**

2. There is at present no comprehensive and systematic consultative framework that enables the sharing of information and the use of complementary expertise among representatives of all key actors involved in the review of the commodity situation and the operation of commodity markets. The efforts of all interested stakeholders should thus be put together and directed towards a pragmatic approach aimed at bringing both focus and priority to breaking the cycle of poverty in which many commodity producers and commodity-dependent countries are now locked.

3. Such a consultative process will address the commodity problematique in a concerted manner by proposing specific action with respect to the following issues: facilitating collaboration among all stakeholders and achieving greater coherence in the integration of commodity issues in development portfolios; collecting and sharing best practices and lessons learned, and maximising the mobilization of resource flows; commodity sector vulnerability and risks; mechanisms to facilitate the participation of developing country farmers in international markets; distribution of value-added in the commodity value chain; promotion of economically, socially and environmentally sustainable approaches to production and trade of individual commodities of interest to developing countries; mining and sustainable economic development; promoting business networks within developing countries and between developing and developed country enterprises; and commodity information and knowledge management.

4. An independent international task force on commodities will be established in consultation with interested stakeholders to address the above set of issues. The task force will function in an informal and flexible manner, with partners cooperating in a spirit of voluntary endeavour.

5. Partners will include, in addition to member States (both commodity-dependent developing countries and interested development partners, especially donors), international organizations (FAO, IMF, ITC, UNDP, the Common Fund for Commodities and the World Bank); commodity-specific bodies (international commodity organizations and study groups); the private sector, in particular major corporations engaged in the production, marketing and distribution of commodities; non-governmental organizations that promote action on commodity issues; and the academic community researching into commodity problems and related solutions.

## **C. Investment**

6. Domestic investment and FDI are key in building national supply capacities that are both central to development and essential to exploit opportunities offered by the multilateral trading system.

7. The very nature of the issues relating to investment for development lends itself to a partnership involving the public and private sectors. In addition, trade unions, NGOs and academics take an interest in the subject. The partnership, in the form of the Investment for Development Network, will seek to: increase understanding of issues related to FDI; help optimize national and

international policies aimed at attracting FDI and benefiting from it; and promote related human resources and institutional capacity building. Areas of focus would include strategic investment advice, investment knowledge for development, improving the investment climate, good governance in investment promotion, information for investors, international investment policy issues, capacity-building in technology transfer and intellectual property rights, and linkages for development.

8. The World Association of Investment Promotion Agencies (WAIPA) will be a principal partner. Other partners will include: the World Bank Group/MIGA; OECD; ITC; the UNCTAD Virtual Institute on Trade and Development; UNIDO; the International Chamber of Commerce (ICC); NGOs (the Consumer Unity and Trust Society (CUTS); the International Institute for Sustainable Development (IISD); the International Centre for Trade and Sustainable Development (ICTSD)); the Earth Institute; national institutions (Ethos, SOBEET); subregional organizations; and institutions of higher learning (universities in developed and developing countries).

#### **D. Capacity-building and training, including training and academic institutions**

9. The UNCTAD Virtual Institute on Trade and Development aims to support the building of national capacities in member countries so that they can analyse international and national trade and economic issues and formulate and implement appropriate home-grown economic policies. Training and research institutions, particularly universities, play a key role in building such capacities by educating future and current decision makers and providing expertise to Governments on issues relating to national economic policies.

10. The objective of the Virtual Institute is to assist academic institutions in developing countries to enhance their own capacity to design and deliver high-quality courses and to conduct research in the areas of trade and development. It does so firstly by giving them access to selected UNCTAD and other relevant resources (research reports, training materials and pedagogical tools) that they can use in their teaching and research. Secondly, it offers them the possibility to enhance their curricula and research work by exchanging resources (course materials and research) and experiences with members of the Virtual Institute Network and by strengthening their cooperation with UNCTAD.

11. Principal partners will be selected academic and training institutions of developing countries that agree to become members of the Virtual Institute Network and accept the rules for its functioning. In addition to participation in the Network, which will be governed by general terms and conditions, UNCTAD will continue the practice of concluding agreements for academic partnerships tailored to the needs of the partner institution concerned.