



**United Nations
Conference
on Trade and
Development**

Distr.
GENERAL

TD/407
12 June 2004

Original: ENGLISH

Eleventh session
São Paulo, 13–18 June 2004

Part One

CIVIL SOCIETY FORUM DECLARATION TO UNCTAD XI

1. The Civil Society Forum, meeting on the occasion of UNCTAD XI, represents social movements, pro-development groups, women's groups, trade unions, peasants and agricultural organizations, environmental organizations, faith-based organizations, and fair trade organizations, among others, which express a variety of perspectives on trade, investment and competition and their impact on development. Nonetheless, the participants in this forum are united in the defence of a series of principles, positions and actions that they wish to present to the member States of the Conference.
2. The official document of this Conference declares that "globalization is a potentially significant and powerful force for growth and development". This type of globalization, however, does not reflect the process that we observe in reality. Moreover, this view is inconsistent with the analysis presented later in the document itself, which outlines the negative impact and the concentration of wealth that have resulted from the implementation of the neo-liberal agenda and globalization.
3. From our perspective as civil society, we view with concern the fact that the official document incorporates rhetoric describing inclusive and equitable globalization, but does not mention the relation between wars fought to appropriate resources for the benefit of transnational corporations. Nor does it recognize the fact that these wars deepen poverty and extend hunger and environmental degradation for millions of human beings.
4. At the same time, the document emphasizes the existence of "losers" among and within countries but does not mention unsustainable patterns of production and consumption. Nor does it mention the existence of the "winners", who are, in fact, the stockholders of transnational corporations and speculative finance-capital, located primarily in the developed countries.
5. The official document emphasizes the role of foreign direct investment in national development, but the reality shows that the majority of foreign capital is not a complement in the medium term of national savings, but rather is one of the more obvious forms of resource transfer. The model of export-led growth promoted by transnational corporations does not lead to development but rather to impoverishment.

6. We are also concerned about the lack of reference to the impasse at Cancún that showed a new configuration of international political power and about the inclusion of issues that have already been rejected at the Fifth Ministerial Conference. We do not want to see UNCTAD abandon its independence and its role as a space for critical reflection, nor do we wish to see the institution used to operationalize WTO agreements. UNCTAD should confront and support the challenges of developing countries and countries in transition.

7. On the basis of these critical concerns, among others, about the official document, we wish to express to UNCTAD the following recommendations:

- That financial blackmail, economic blockades, military intervention and illegal occupation by rich Governments on behalf of transnational corporations and investors be rejected;
- That external debt be definitively cancelled, that poor countries be freed immediately from this burden, and that transnational corporations be charged with their responsibilities for the more recent indebtedness now occurring;
- That nation States regain and/or retain their sovereign right to define domestic policies that do not affect other countries and that these policies be adequate to address national realities in dialogue and consensus with civil society;
- That international trade and the institutions and instruments linked to it comply with the principles enshrined in the Universal Declaration of Human Rights and with the instruments and conventions that emanate from relevant UN processes and the Millennium Development Goals;
- That UNCTAD participate actively in the creation and management of multilateral mechanisms designed to sustain and regulate markets for commodities, and in particular for agricultural products;
- That UNCTAD recognize and promote the right of every country or group of countries to food sovereignty and the right of countries to protect their economies and agriculture, including through tariffs and quantitative restrictions, the primary means of protection for poor countries. We believe that countries must unite to guarantee this right. It is in this important context that we support the dialogue and cooperation among the G-20 and the G-90;
- That transnational corporations be prohibited from taking legal action in reprisal for development policies or actions, and that they are made accountable and liable for their activities. This includes the legal right of citizens and communities to protect themselves against investors who violate their rights;
- That Governments assume an effective commitment to overcome gender, racial and ethnic inequality, to protect cultural diversity, and to prohibit discrimination based on sexual orientation in their development policies and policies designed to combat poverty;
- That social and economic rights, and labour and trade union rights be guaranteed;
- That sovereignty over natural resources, commodities and biodiversity be guaranteed, that the transfer of technology be facilitated, and that the issuing of patents for living organisms, and the commercialization of genetically modified organisms and medications be prohibited, in order that a truly sovereign, sustainable and equitable development be promoted;

- That fair trade practices be encouraged.

8. We believe that the solidarity and unity among developing countries are crucial and we reject any attempts to undermine them. We are convinced that free trade does not distribute resources in an equitable fashion. A vibrant and participatory democracy based on the principle of economic cooperation in an environment of solidarity and peace will allow for a more just and equitable distribution of the wealth of nations and of peoples.

9. We are convinced that this better world is possible.

Part Two

CIVIL SOCIETY, CORPORATE GLOBALIZATION AND THE ROLE OF UNCTAD

Summary

10. The UNCTAD XI Civil Society Forum gathers together a diverse range of organizations, including social movements, development groups, women's groups, trade unions, peasant and farmer organizations, environmental organizations, faith-based groups and many others. It expresses a plurality of visions regarding trade and its impact on development. Nevertheless, participants in the Forum stand united in defence of several principles, perspectives and actions, which they wish to present to the member States at the UNCTAD XI Conference.

11. Our message is clear: we wish to see an invigorated UNCTAD emerge from UNCTAD XI, an UNCTAD capable of meeting, and committed to meeting, the sustainable development needs of the planet, social inclusion and gender equality, especially of its poorest and most disempowered people, particularly in developing countries.

12. Our statement is brief and concise: trade or increased financial flows can be the means to sustainable development, but they are not ends in themselves. The current trading system is benefiting multinational enterprises (MNEs) and is creating inequities internationally. UNCTAD was created precisely to elaborate and promote Southern development policies by creating a more equitable environment and enabling international economic growth. It must retain and build on this overarching mandate, to further the debate on how to deliver a global trade system that benefits all people and protects the environment.

Introduction

13. Forced trade liberalization is having real and diverse negative impacts on the day-to-day lives of millions of people and their environment, especially women in all regions of the world. Inequality – both between and within countries – is increasing and millions are unable to meet even their most basic needs. Democracy is being eroded as Governments renounce or are made to renounce their right to regulate domestically in exchange for the chance to increase market access. The profits then increasingly go to companies and their owners, rather than countries and their citizens.

14. Critically, the North's global consumption patterns are a threat to global natural resources and use the resources of the global South at rock-bottom prices. The North has therefore incurred an ecological debt to the South. Nevertheless, it is still those impoverished countries in the South that find themselves compelled to export more and more in order to pay off their ever-increasing financial

debts. Ironically, this exacerbates the surplus in already oversupplied world markets, falling commodity prices and decreasing returns on Southern exports. These worsening terms of trade make it ever more difficult for the South to pay its debts. Moreover, they raise questions about the market-access paradigm that UNCTAD keeps on “challenging” in its reports.

15. At the same time, the European Union and the United States, in a remarkable display of double standards, dump heavily subsidized farm exports onto world markets, destroying rural livelihoods in developing countries. Stopping the dumping of commodities and eliminating the consequent damage that such dumping inflicts on small farmers and producers worldwide have now rightly become the litmus test for whether poor countries can obtain any justice from the WTO. Rich world hypocrisy does not stop there. The industrialized countries still maintain high protectionist barriers against goods produced by developing countries. Furthermore, under the cover of trade liberalization, countries with strong corporate interests are encouraging the commercialization of services through regional and multilateral trade agreements at the behest of MNEs. The consequent loss in terms of accessing these services, including basic services, is bound to have a devastating impact on the life and dignity of women.

16. Other trading problems faced by developing countries and countries in transition, such as the deterioration of exchange rates and the corporate-driven trade liberalization policies adopted by rich countries, contribute to their debt problem. In addition, when payments are made, precious national resources that could be spent on developing fair and sustainable economies and societies are channelled back to the rich North. In other words, the international status quo is impeding sustainable development, income generation and poverty eradication.

17. Furthermore, people who are deprived of the right to determine their own development path; people who cannot meet together freely and make democratic decisions; women and indigenous peoples who are excluded from the decision-making mechanisms (including decisions about resource allocation) in their society; people who are forced to destroy their own and the planet’s natural resources; workers who cannot bargain for their own wages and working conditions – all of these people are excluded from participating in or benefiting from sustainable development.

18. It is clear that current trade rules and trade policies – whether established or imposed by intergovernmental organizations or powerful Governments – are an obstacle to fair and sustainable development and must be made subservient to those rights – individual and collective – which the peoples of the world have established in the United Nations during the last century. In other words, alternative approaches and paradigms to the management of trade – national, regional and international – are essential.

19. It is not true that “there is no alternative” to the present model of economic globalization. The inappropriate “one-size-fits-all” neo-liberal mentality needs to be replaced by diverse and participatory economic systems that are flexible, fair and sustainable and are about more than money, profits and growth.

20. Just and sustainable societies require national and international policies that prioritize and protect equity, democracy and diversity, human rights, labour rights, ecology, food sovereignty and sustainable production and consumption. Healthy local economies are at the heart of sustainable societies and as such need to be encouraged, supported and strengthened in the North and the South.

21. At the same time, global governance systems need to be refocused. Reducing the scope and influence of the World Trade Organization, especially on non-trade issues, is a critical first step in this rebalancing process. So too are the introduction of binding multilateral legislation to make transnational corporations accountable and liable for their activities, and the development of effective multilateral institutions and legislation – within the United Nations – that will ensure social well-being, environmental protection and the subordination of trade policies to multilateral social and environmental agreements/standards.

22. In particular, active steps must be taken to stop the trade in human beings, such as the trafficking in women and children. Millions of children are subjected to forced labour, sexual exploitation and selling of human organs.

23. We attach great importance to the objective of building a new, fair and just international trade system, and changing the basis and the decision-making process of the key instruments and institutions of global economic and political governance, namely the Bretton Woods institutions, the WTO and the United Nations (especially the UN Security Council). Democratization of these bodies (especially of the Bretton Woods institutions and the WTO) will go some way towards more human, people-centred and sustainable development policies.

Proposals

Global governance and coherence

24. The issue of coherence is critically important. The Bretton Woods institutions and the most powerful member States within the WTO currently consider coherence to be the harmonization of national policies so that these do not conflict with the prevailing international neo-liberal economic order. As a result, a vicious circle has developed. The Bretton Woods institutions and the G-8, which claim to be committed to relieving the rigours of structural adjustment (including trade liberalization) based on the Washington consensus, are simultaneously pushing developing countries and countries in transition to reform their economies so that they conform with the same corporate-driven model.

25. However, for civil society organizations, coherence means something quite different: the international economic order must be made subservient to sustainable development, addressing the needs of all people but especially of the groups most affected by corporate-driven globalization. The outcomes of UNCTAD XI must contribute to this. UNCTAD's central role in dealing with general themes that affect development, including coherence, must be revived, in particular as regards the role of UNCTAD concerning matters relating to agriculture.

26. Such coherence is the intention expressed by UNCTAD's Secretary-General; and civil society gathered here believes that UNCTAD XI could be a valuable opportunity to initiate an effort in that direction. The themes suggested by the Secretary-General are very opportune and many of them relate to crucial issues. There is, however, a lot to be done.

Policy space and unequal first steps

27. The "one-size-fits-all" approach to economic policy-making does not work. The roads to sustainable development are not the same for everyone. This is most evidently true in the case of trade and investment liberalization, and intellectual property rules.

28. Developed countries have followed a path very different from that which they now prescribe for developing countries and countries in transition, namely structural adjustment programmes, poverty reduction strategy programmes, and/or unconditional opening of markets.

29. The progressive diminution of development policy options, under the weight of international treaties and contractual obligations to global financial institutions, has contributed to the deterioration in the development performance of a large number of developing countries and countries in transition over several decades. At the same time, however, blaming the victims of these policies for their failures has become the received wisdom in the development policy establishment.

30. By agreeing to establish a programme of work to analyse the implications of shrinking development policy space and promoting an examination of alternative sustainable development

policies and strategies, UNCTAD XI can help developing countries and countries in transition meet the challenges of designing national policies consistent with their stages of development and capacities to implement them. UNCTAD should confirm that developing countries have policy space to pursue their development strategies and to implement human rights, including the right to food sovereignty. If there are international agreements which conflict with this policy, such agreements should be considered invalid.

The collapse of the commodity economy

31. As the largest single source of employment, incomes, public revenue and foreign exchange in many low-income countries, particularly in Africa and LDCs, the commodity sector is a major determinant of current growth and of prospective development. Its near disappearance from the global development agenda, including that of UNCTAD XI, owes much to the laissez-faire view that the sector's performance reflects the functioning of the markets and that, over time, the affected farmers, producers and economies should adjust and become more efficient.

32. MNEs dominate many commodity markets and are increasingly grabbing a lion's share of added value in the product chain. They are interested in destroying market regulatory policies and supply management so that free-market forces can freely drive up production and cause oversupply, lowering prices and maximizing profits. The return to developing countries from the global coffee business, for example, has fallen from one third to one tenth over the last decade. At the same time, the World Bank and the IMF have been pressuring developing countries to go for export-led growth, without telling them what would happen if they all exported the same commodity. Those countries that have defied these institutions have been subjected to economic blockades as well as military aggression. While this aggression continues, many developed countries continue to maintain huge subsidies for their farm exports, increasing dumping margins still further.

33. Income instability and long-term decline arise from all of these factors. These all warrant global policy responses addressing problems caused by market failure. Accordingly, UNCTAD XI should involve itself actively in the creation and management of multilateral mechanisms to regulate and support international markets for agricultural products.

Need for independent research and policy formulation and integrating policy into action

34. A lot of lip-service is paid to the role of UNCTAD as regards its research linking development and different aspects of international economy. In practice, pressures are generated to narrow the role of the institution to technical cooperation and other operational work. OECD countries consider that there is enough analysis around and that it is better done in other places, and seem opposed to UNCTAD's role in policy formulation and advice.

35. This is a tragic mistake. The experience of the last 10 years shows that the dominant theories have not prevented major financial crises but have in fact exacerbated them. For the second time in a very short period, a WTO Ministerial Conference has failed. Internal and external evaluations have shown that IMF and World Bank policy on debt and adjustment has failed to reach the targets they had set themselves. Independent research and policy formulation, which critique rather than accept the dominant economic model, and propose alternatives, are becoming ever more important. UNCTAD has a critical role to play in providing analysis and advice in this respect and its mandate to do so must be reinforced. In this context, we would urge UNCTAD to integrate its analysis into policy advice and actions, especially in the area of market access.

Partnerships that work and partnerships that do not

36. The texts that have been prepared for UNCTAD XI frequently refer to partnerships – between Governments and civil society; between intergovernmental organizations; and between Governments and private sector companies, especially MNEs. We value partnership, but partnership can exist only

on the basis of mutual respect and common objectives for more equitable sharing of benefits from trade and investment. Governments and intergovernmental organizations borrow their powers and sovereign rights from civil society and are therefore obliged to operate in partnership. Some MNEs, on the other hand, appear to have a different concept of partnership, one in which they have rights and Governments and civil society have responsibilities and costs. These are not partnerships based on mutuality. On this basis we appeal to UNCTAD XI to call for mutuality in all references to partnerships and ensure that producers, workers, consumers and other civil society organizations participate on an equal footing with the private sector. Partnerships must not mean the privatization of government responsibilities.

37. MNEs hold vast economic and political power, yet since the closure of the UN Centre on Transnational Corporations, there is no intergovernmental organization that examines their role in a comprehensive way. UNCTAD should therefore prioritize policy work on MNEs and their regulation. Analytical studies should be combined with the promotion of corporate social responsibility, accountability and liability. UNCTAD can help ensure that the development dimension is adequately addressed in all voluntary and regulatory initiatives. To this end, it could foster discussion between developing country Governments, other UN agencies, business, unions and NGOs. UNCTAD should support internationally agreed policies such as the UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises and the Recommendations of the World Summit on Sustainable Development with regard to human rights. Providing practical assistance to developing countries and countries in transition and their regional associations in negotiating with MNEs is also important.

Bangkok Plan of Action

38. UNCTAD X's Bangkok Plan of Action did not reflect civil society organizations' hope for a stronger role of UNCTAD and the UN in international social, environmental and economic policy-making. Nevertheless, in the run-up to UNCTAD XI, civil society movements believe that the Bangkok Plan does at least provide a starting point to further strengthen and improve UNCTAD's role and mandate. Further weakening of the four-year-old compromise text is unacceptable and would further delegitimize the current system of global economic governance. On the contrary, UNCTAD's mandate should be enhanced.

Leadership and management of UNCTAD

39. Safeguarding and strengthening UNCTAD's mandate to deal with the interdependent issues of trade, money, finance, technology transfers and development in an integrated manner are critically dependent on the quality and management of its leadership. In the light of the impending changes in the leadership of UNCTAD, this Civil Society Forum urges the Secretary-General of the United Nations and member States to exercise the greatest care and transparency in the selection of UNCTAD's new management. As a key stakeholder concerned with UNCTAD's future, civil society expects to be closely involved with and consulted in decisions concerning the institution's future management.

UNCTAD and transparency

40. In the current context, where unilateralism works *against* the democratization of the international system, we urge UNCTAD to be transparent and to engage in dialogue on a permanent basis with civil society organizations throughout the world. An invigorated UNCTAD is necessarily one that is close to people worldwide, who are seeking social and economic justice.

Summary of specific recommendations from the Civil Society Forum for UNCTAD XI

- (a) UNCTAD should become the multilateral space for critical evaluation of the impact of liberalization policies. It should assist Governments in designing and implementing policies to regulate markets with the aim of making a positive impact on the livelihood of people and the environment.
- (b) UNCTAD XI must be based on a radically different form of “coherence”: a reorientation and integration of policies that ensures that the international economic order is adjusted to meet the development needs of the groups most affected by corporate-driven globalization. UNCTAD’s central role in dealing with general themes that affect development, including coherence, must be revived. Civil society expects Governments to reinforce UNCTAD as an independent and analytical institution vis-à-vis the liberal consensus and should empower it to fulfil this role.
- (c) UNCTAD XI must help developing countries and countries in transition meet the challenges of designing national policies consistent with their stages of development and capacity to implement them, by agreeing to establish a programme of work to analyse the implications of shrinking development policy space and promoting an examination of alternative development policies and strategies.
- (d) UNCTAD must help developing countries:
 - 1. To develop policy options to reverse the worldwide collapse of commodity prices through mechanisms such as commodity agreements;
 - 2. To devise mechanisms which regulate the behaviour of enterprises involved in the marketing of commodities, and of groups that have a key influence on the price of commodities, on the marketing conditions of products and on the remuneration of producers but are not subject to international regulation;
 - 3. To strengthen multilateral rules/procedures and national mechanisms such as tariffs to prevent the import of (dumped) commodities from the North that dislocate local markets, threaten food security, and so forth;
 - 4. To dismantle trade policies based on the paradigm of market access.
- (e) UNCTAD should recognize and promote the right of every country or group of countries to food sovereignty and to protect their economy and agriculture, including through tariffs and quantitative restrictions, the only means of protection for poor countries.
- (f) UNCTAD should strengthen its capacity-building programmes with respect to small producers and promote alternative developmental models.
- (g) UNCTAD has a critical role to play in providing independent research, analysis and advice that critique rather than accept the dominant economic model, and propose alternatives. Its mandate to do this must be maintained. UNCTAD should be one of several UN organizations involved in reviewing the Uruguay Round of trade negotiations, together with civil society.
- (h) UNCTAD XI should agree to initiate a major programme of work designed to find national and international solutions to the challenges posed by the commodities sector.
- (i) UNCTAD XI should call for mutuality in all references to partnerships and stress that the latter must not replace government responsibilities and multilateral decision-making. UNCTAD XI should mandate research and policy work on regulation of MNEs promoting accountability and liability and in the area of progressive taxation. Providing assistance to developing countries and countries in transition in negotiating with MNEs is also important.

The proposed international task force on commodities is an important initiative, provided that a balance is struck amongst all stakeholders.

- (j) The UN Secretary-General must exercise the greatest care and transparency in the selection of UNCTAD's new management, choosing people who have a proven commitment to sustainable development and public participation and who can offer a needed challenge to prevailing orthodoxies.
