Chapter Eight
United Nations Conference on Trade and Development (UNCTAD)

Along with simulating the General Assembly Plenary and its First, Second, Third, and Fourth Committees, AMUN will also be simulating the United Nations Conference on Trade and Development (UNCTAD). UNCTAD will meet for the first three days of the conference, and on the final day of the conference, will present a report on its findings to the Combined General Assembly Plenary. UNCTAD's membership is open to all Member States, and as such, participation in the simulation is open to one or two members from all delegations attending the conference.

About UNCTAD

Established in 1964, UNCTAD strives to promote sustainable development strategies while helping developing and least developed countries (LDCs) become integrated into the world economy. Through the organization's evolution over four decades, the UNCTAD of today is an authoritative, knowledge based institution with the goal of shaping national and international debate on development - focusing on sustainable development. To meet these aims, UNCTAD works with governments, and UN organizations, regional commissions, and non-governmental organizations (NGOs), including industry and trade associations.

Purview of this Simulation

In its role as a promoter of sustainable development, UNCTAD fulfills three key roles in the areas of trade and development policy: it functions as a forum for intergovernmental deliberations; it undertakes research, data collection and policy analysis; and, it provides technical assistance to developing countries, with special emphasis on least developed countries and transitional economies. In its operations, the organization works closely with its members, other UN bodies, non-governmental and intergovernmental organizations and the private sector. UNCTAD's main goal is to inform the international community and serve as a forum for international deliberations with the aim of consensus building in addition to providing data collection, analysis, and technical assistance in the arena of trade and development.

Website: www.unctad.org

Commodities

The second half of the 20th century witnessed the rise of liberalization and globalization in the world economy. The changes that accompanied these trends significantly impacted producers, exporters and importers, especially in the developing world. One of the many challenges facing developing countries is asymmetrical information in consumer markets. Currently, 95 out of 141 developing countries are more than 50% dependent on commodities. Furthermore, in many of the same countries there is little or no experience with futures exchanges, which leaves farmers at a disadvantage in the world market. Commodities, the lesser-processed items ranging from bananas, cocoa, coffee, and cotton to oil, wood, and fish, can be drastically affected by issues ranging from financing agricultural endeavors to meeting market demands, assessing market risks to complying with changing certification standards, and dealing with the technological and logistical problems of competition in the globalized market.

Commonly, developing countries rely upon agricultural commodities and depend upon the unstable prices their goods attain at market. While more developed countries have the infrastructure and manufacturing capabilities to process the commodities, commodity-dependent countries often export only primary products and are left with few options for survival beyond their agricultural capabilities.

The United Nations Commission on Trade and Development (UNCTAD) was established in 1964 to promote the integration of developing countries into the world economy. UNCTAD's particular focus is on ensuring that domestic policies and international action are mutually supportive in the achievement of sustainable development. At its 1976 session in Nairobi, UNCTAD adopted an Integrated Program for Commodities aimed at setting prices for the primary commodities of developing countries, taking into account world inflation, monetary changes, and the cost of manufactured imports; all of this was in the hopes of making the market less volatile and thus providing a more stable livelihood to those dependent upon the markets. As part of the Program, the Nairobi session agreed steps would be taken to negotiate a common fund for the financing of buffer stocks that would be held or sold, as conditions required, with the aim of helping to end the wide fluctuation in commodity prices that plagues developing countries dependent on these products as exports.

In 1980, the Agreement Establishing the Common Fund for Commodities was adopted by the UN Negotiating Conference on a Common Fund. International agreements also have been concluded for nine commodities—cocoa, coffee, tin, olive oil, sugar, natural rubber, wheat, jute and jute products, and tropical timbers. The fund came into operation in September 1989. In 2005, the Common Fund was funding 224 projects aimed at combating poverty through commodity development projects. The total funding available for these projects in 2005 was USD 412.8 million, 85% of the funding was made available through grants and the remaining 15% from concessional loans. In 2005, the Common Fund was able to conduct its first country wide evaluation of the impact of its projects in Uganda. The evaluation confirmed that the Common Fund's targeted projects on commodities had a positive impact on poverty reduction.

The eighth session of UNCTAD in 1992 recognized the need to formulate an effective international commodity policy. Commodity markets in the 1990s remained extremely depressed, taking a particular toll on LDCs, and most of the commodity agreements achieved by UNCTAD in the 1980s had lapsed. In 1993, UNCTAD began to develop a micro-computer-based commodity analysis and information system (MICAS), which provides comprehensive, up-to-date information on all aspects of commodity use, production, trade, and consumption. The system assists developing countries in managing their economies and competing more effectively in world markets.

In 2004 the eleventh session of UNCTAD ended with the adoption of the São Paulo Consensus. The conference theme was "Enhancing coherence Between National Development Strategies and Global Economic Processes Towards Economic Growth and Development, Particularly of Developing Countries." Among other objectives UNCTAD affirmed at this session, the Commission found that commodity sector development is essential to poverty reduction and the achievement of the Millennium Development Goals.

Several critical policy areas under examination by the Commission included focusing on opportunities and challenges faced by developing countries that rely heavily on commodities. Recent historic trends of high and volatile oil prices in particular were noted as an obstacle for both oil-exporting and oil-importing countries. The Commission resolved to examine means to respond to these challenges; some areas include: providing a forum for discussing price volatility; formulating policy options for the use of windfall gains; promoting the reduction of trade barriers and trade-distorting subsidies; and addressing issues of governance and transparency.

In 2006 the UNCTAD Expert Meeting in Geneva centered on Enabling Small Commodity Producers and Processors in Developing Countries to Reach Global Markets. In view of the constantly increasing demands on producers to comply with official and private sector standards and the requirements of more competitive markets, the Commission sought to achieve common understandings about the predicament of small commodity producers. Realizing that poverty and the inequalities of the current international commodities structure are indelibly linked, the experts furthermore began a process toward consolidation of multi-stakeholder partnerships to enable small producers to construct sustainable livelihoods.

Perhaps the area that has experienced the most success has been the commodities futures exchanges created in developing countries. In the 2006 Overview of the World's Commodity Exchanges, the Commission found that two of the world's fastest growing commodity exchange sectors were in developing countries, China and India. The Indian exchanges were created in 2003 after extensive efforts by UNCTAD to lay the groundwork for a successful and competitive exchange. In both countries, the explosive growth of the new exchanges has had a profound impact at a local level as well as on the global market. While China and India have been successful in establishing futures exchanges, it still remains concentrated in the developed world. This primary reason for this trend is that futures markets are predicated on improved communication technology and advanced information technology methods, with a shift towards trade being concentrated within a few large international firms and the creditworthiness of commodities traders of major concern in the exchange markets—all of which largely leaves out the developing world.

Non-tariff barriers, such as health and quality regulations, administrative procedures and increased technical requirements, have been steadily increasing in recent years. This is in part due to consumer demands for safe and environmentally friendly products. Such non-tariff barriers a significant obstacle to trade. For developing countries, non-tariff barriers have a negative impact on market access and entry. However, developing policy to address the challenges developing countries face with regards to non-tariff barriers is difficult as there are not commonly agreed upon definitions of what constitutes a non-tariff barrier. To that end the UNCTAD Secretary-General appointed in 2006 a Group of Eminent Persons on Non-Tariff Barriers to address key technical and developmental issues that result from non-tariff barriers.

Although developing countries are in many ways no less reliant on commodities than they were at the inception of the Common Fund, in recent years, donor countries have expressed increasing skepticism that commodity sector programs are worthwhile endeavors, and the monetary support for such programs has reflected the increase in doubts. Among the many issues to be considered regarding commodities and development, causalities and linkages between the activity of commodity production and the condition of poverty in developing countries need to be assessed. Services and support, which are crucial to effectively marketing produce, need to be identified and implemented, and the impact of new, integrated supply chain models on small commodity producers must be assessed. Finally, the possibility of public-private partnerships must be explored to determine the role of governments in support of producers.

Questions to consider from your government's perspective on this issue include:

- How is dependence on commodities linked to poverty? In what ways should those linkages influence the Commission's efforts?
- How do disparities in access to market information affect producers in LDC's?
- What regions could benefit from a futures commodity exchange?
- To what extent should the Commission and NGO's be involved in establishing such an exchange?
- How will corporations, NGO's, and governments help ease the burden on small farmers and help with the lack of informational and technical capacities or infrastructure so that they can process the commodities in their own country?
- How can the international community better fund the Common Fund and other initiatives that need monetary support?

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Additional Web Resources:

www.common-fund.org – Common Fund for Commodities
www.fao.org - UN Food and Agricultural Organization
www.twnside.org.sg/index.htm - Third World Network
www.itf-commrisk.org - International Taskforce on Commodity Risk Management
www.wto.org/index.htm - World Trade Organization

Least Developed Countries: Developing Productive Capacities

In today's rapidly globalizing economy, there is a growing concern that the least developed countries (LDCs) are being left behind. One of the major reasons LDCs find it difficult to keep pace is a lack of productive capacities – a country's entrepreneurial, resource, and productive capability and output. Developing such capacities is key to participation in the world market. Many interrelated obstacles to such development exist, among them inadequate infrastructure, lack of human resources in the areas of technological expertise and business management, outdated technology and inefficient government bureaucracy.

To help develop productive capacities, LDCs receive two major types of aid. Official Development Assistance (ODA) consists of direct donations to LDCs by foreign governments, while Foreign Direct Investment (FDI) involves foreign businesses or individuals investing directly into the private sector of LDCs. While ODA is considered an important component of foreign aid, a greater share of FDI is necessary for the attainment of sustainable development.

Helping LDCs improve their status has been a primary goal of UNCTAD since the term LDC was first used in 1968. Classification as an LDC is based upon three main criteria: low gross national income per capita; weakness in the area of human resources; and economic vulnerability. The UN currently lists 50 countries as LDCs, with the list undergoing triennial review. Improving the economic situation of LDCs is a critical component of the UN's Millennium Development Goals.

After UNCTAD realized the LDCs were falling farther behind and in some cases moving backwards, the Conference convened a number of special conferences to better analyze the problem. These conferences included the Intergovernmental Group on the LDCs in 1975 and 1978. This group established the Substantial New Programme of Action, which outlined domestic steps LDCs could take to help their economies. Although many of these recommendations were carried out with the help of international aid, economic conditions for LDCs as a whole worsened during the 1980s. During the Second UN Conference on the LDCs in 1990, a second programme of action was adopted for the 1990s, committed to "urgent and effective action." In December of 2001, the General Assembly established the Office of the High Representative for the LDCs, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS). This office coordinates and oversees LDC-specific programs and policies.

The most recent conference held to analyze the problems facing LDCs convened in Brussels, Belgium in 2001. At this conference, delegates completed the Programme of Action for the Least Developed Countries for the Decade 2001-2010, later adopted by the General Assembly. The fourth commitment of the Programme, entitled "Building Productive Capacities to Make Globalization Work for LDCs," outlines the problems LDCs face developing their economies. Solutions proposed include improving infrastructure, increasing computer literacy and increasing the density of telephone and internet connections. These initiatives are of the type that can be effectively funded by ODA. The commitment also emphasizes the role of FDI in improving technological capacity through technology transfer and ensuring such technology effectively diffuses throughout the country. Additionally, it encourages both transnational corporations and firms in developed countries to develop partnerships with firms in LDCs. All these initiatives also underline the importance of creating an economic environment conducive to entrepreneurship. Additional UNCTAD plans for LDC development include the São Paulo Consensus of 2004.

In 2004, the UN General Assembly expressed its discontent with actions taken by Member States to implement the Programme of Action for the LDCs for 2001-2010. It felt Member States were not doing enough to adhere to the goals of the document. Although foreign direct investment towards LDCs increased in recent years, it is still less than 1% of all FDI globally. Finding further ways to increase this share remains a challenge facing UNCTAD. Other problems with UNCTAD's LDC initiatives include uncooperative governments, inefficient legal systems, and embryonic, stagnant or virtually nonexistent private sectors.

Questions to consider from your government's perspective on this issue include:

- What actions can be taken at the national level to increase productive capacity? What areas can be addressed by countries using their own resources, what areas require aid from the international community?
- What is the relationship between productive capacities and poverty reduction?
- What roles do NGOs such as the World Trade Organization, the Institute for Trade and Development and the New Partnership for Africa's Development play in increasing productive capacities?
- How can Member States better adhere to the goals of the Brussels Declaration and the Programme of Action for the Least Developed Countries for the Decade 2001-2010?
- What are the major obstacles to Foreign Direct Investment in LDCs and how might they be broken down?
- What is the relationship between ODA and FDI, and which initiatives benefit best from each type of aid?

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Additional Web Resources:

www.integratedframework.org - The Integrated Framework for Trade-Related Technical Assistance
www.ldcwatch.org/wcm/index.php - LDC Watch
www.unido.org –United Nations Industrial Development Organization
www.un.org/special-rep/ohrlls/ohrlls/default.htm –UN Office of the High Representative for the Least Developed Countries
http://www.un.org/special-rep/ohrlls/ldc/BD%20and%20POA%20of%20LDCs.htm - Programme of Action for the Least Developed Countries Web page