The Road to DOHA

A newsletter for civil society in the lead up to the 2008 FfD conference

The Road to Doha

18 June 2008
Hearings with representatives of civil society and the business sector on financing for development

30 June - 25 July 2008
Substantive session of the Economic and Social Council, including the Development Cooperation Forum and the Annual Ministerial Review

Second week of July 2008
Release of the report of the Secretary-General on the latest developments related to the review process on financing for development (advance version)

Last week of July 2008
Presentation by the President of the General Assembly of the draft outcome document of the Review Conference

September - November 2008
Informal consultations and drafting sessions on the outcome document of the Review Conference

29 November – 2 December 2008
Follow-up International Conference on FfD to Review the Implementation of the Monterrey Consensus

United Nations Non-Governmental Liaison Service

GA debates potential of trade as an engine for development

The informal GA review session on Chapter III of the Monterrey Consensus, held on 19 and 20 May 2008, was chaired by Ambassador Maged A. Abdelaziz of Egypt and Ambassador Johan L. Lovald of Norway. The meeting consisted of five panel presentations followed by an interactive dialogue among all stakeholders.

The session focused on current trends and recent developments in international trade, policies and lessons learned, with a view to a successful conclusion of the Doha Development Round (DDR) and achieving development goals.

Current trends and recent developments

Participants examined both positive trends and deficiencies in world trade in this decade. Positive developments included the strong expansion of international trade at a faster rate than world GDP and the rapid growth of South-South trade, which surpassed world trade. (*continued on page 3*)

GA concludes review sessions of the Monterrey Consensus

From 14 February to 20 May 2008, the General Assembly convened six informal review sessions on the thematic areas of the Monterrey Consensus. The sessions were the central part of the preparatory process of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (Doha, Qatar, 29 November - 2 December 2008). Each session included an initial panel discussion comprising five experts nominated by Governments and relevant stakeholders, followed by a policy debate.

Review Sessions

The first Review Session (14 February 2008) on Chapter I of the Monterrey Consensus, "Mobilizing domestic financial resources for development," focused on the role of government, as well as on macroeconomic and social policies in domestic resource mobilization. Speakers highlighted that, since the adoption of the Monterrey Consensus in 2002, developing countries had made important progress in many areas of domestic resource mobilization. However, many challenges remained. Poverty was still on the increase in several countries, especially in sub-Saharan Africa. Moreover, income inequalities persisted and rates of unemployment and underemployment were still very high in the developing world. (*continued on page 5*)

Redesigning Global Economic Governance

*By Barry Herman**

A distinct set of global institutions governs the international economic system: the World Trade Organization, the International Monetary Fund, and the World Bank. Each has its specialty, and they are complemented by a number of even more specialized institutions with more restricted membership, such as the Bank for International Settlements and the Organization for Economic Cooperation and Development.

Each institution is aware of the others, but none is responsible for the overall coherence of their various policies, let alone the achievement of international objectives. The United Nations does not play this role, though it sometimes convokes treaty negotiations on economic affairs, such as the Law of the Sea and the Convention against Corruption. On international economic and financial issues, the UN serves at best as a discussion forum. Its major contribution is considerable technical assistance to developing countries in specific areas like health and agriculture.

There is one international forum able to bring coherence to the different institutions dealing with trade and financial policy: the Group of 7. Since 1976, the club of G7 countries has met annually at summit level, and semiannually (or as needed) at finance minister level. When the G7 reaches a consensus, it is then generally adopted and implemented by one or more of the relevant global institutions, which the club has been able to control. At least, that's how it used to be.

Although there has always been a variable geometry of important countries that come together on specific issues, the G7 is the standing forum for global economic policy reform and coherence. It has been, nevertheless, somewhat flexible in its membership. After the break-up of the Soviet Union, post-summit meetings began with the Russian Federation, and Russia was invited into the club in 1997, creating the G8.

Similarly, the heads of state of the G8 have invited groups of developing-country leaders to meet with them on the fringes of their summits. In 2007, the G8 formulated a more permanent outreach project, the Heiligendamm Process. Under Germany's leadership, they brought the governments of Brazil, China, India, Mexico, and South Africa closer to their fold as the Outreach 5, at least for a two-year trial period of discussions on economic policy matters of mutual concern: investment, research and innovation, development (particularly Africa), and energy efficiency to combat CO2 emissions.

This lets the cat out of the bag. The G7 has lost control of global policy and the O5 is not going to return it to them. WTO negotiations are stuck. As U.S. negotiating authority has expired, it is not clear why they even continue to go through the motions in Geneva. The IMF has run out of paying customers. When Turkey repays its last outstanding loan, there will be very few nonconcessional loans still outstanding. All former customers are seeking a large enough cushion of foreign exchange reserves to prevent having to return to the IMF for help under its traditional terms. The World Bank is still recovering from the presidency of Paul Wolfowitz and the distrust he sowed in borrowing countries.

Meanwhile, the U.S. financial crisis that began in the summer of 2007 has caused bank failures in Europe as well as domestically, and it raises the question of reforming the international financial architecture. Developing countries so far have not fallen victim, and they are concerned to prevent the crisis from spreading. They also want to protect their overseas financial assets in the developed world. Taking these factors together, perhaps it is time for a political meeting on international economic reform at the global level.

The UN provided an opportunity for just such a meeting in 2002, six months after 9/11, when a global political gesture on development was needed. Governments made several pledges at the International Conference on Financing for Development (FfD) in Monterrey, Mexico:

- to reverse the decline in development assistance;
- to take account of financial needs to meet international development goals when reducing debt;
- to consider something vaguely resembling a sovereign bankruptcy regime; and
- to accord greater "voice and participation" to developing countries in decision making in the major institutions.

The first two were delivered (at least in part), the third was considered and rejected, and the fourth has produced very little despite a lot of talk.

There is a new opportunity for a meeting on economic reform at the end of 2008, at a second intergovernmental conference on FfD, to be held in Doha, Qatar. That conference could set the stage to build economic and financial multilateralism in a new mold.

The world is not ready for a global conference to redesign the international system. It is not even ready for a preparatory body to lay the groundwork for such a conference. The first step is realizing that the problems in international economic governance will not be resolved with small adjustments in the major trade and financial institutions. The second step has to be an intensive period of discussion of reform proposals, until a consensus develops around one plan or another. Adopting the new structure is the last major step, and further reforms and revisions will surely follow as the system is refined.

What the Doha meeting could do is establish a new place where governments could start talking to each other about reform of the international system. One recent proposal that could facilitate such a discussion was made by Ambassador Eduardo Galvez of the foreign ministry of Chile, speaking at the General Assembly's FfD review meeting on March 11, 2008.

Galvez proposed creation of "an integrated multi-stakeholder Forum, Council, or a Committee on FfD." It would include national government representatives who sit on the policy organs of the UN, IMF, World Bank, and WTO, plus representatives of UN agencies, members of civil society, and private sector organizations. Its objective would be to undertake an integrated review of the six themes from Monterrey—domestic resources, foreign investment, trade, aid, debt, and systemic issues. It would provide the opportunity for a holistic and serious cross-ministerial, cross-institutional, public and private sector discussion of global economic and financial concerns.

The Galvez proposal is, in essence, a call on Financing for Development stakeholders to shape his idea into a plan going forward from Doha. Nothing quite like it has ever existed. It could be the first step toward more integrated, effective, and democratic governance of the world economy.

**External contributions are the responsibility of the author(s) and do not necessarily reflect the views of the United Nations Secretariat. Barry Herman is Visiting Senior Fellow in the Graduate Program in International Affairs at The New School.*

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Many representatives underscored the importance of trade as an engine of growth. Export growth accounted for over 60 percent of GDP growth of developing countries as a group and more than 40 percent of GDP growth of least developed countries (LDCs) between 2000 and 2005.

On the other hand, deficiencies in world trade have evolved, including the concentration of growth in a small number of developing countries and the marginalization of LDCs and other vulnerable countries in North-South and South-South trade.

Moreover, many developing countries remained dependent on commodity exports. Terms of trade had been deteriorating in many cases and the benefits of trade were unevenly distributed between trade across sectors and countries. Participants also called attention to the current global economic downturn and possible recession in some of the principal trading partners of developing countries.

Developing countries needed to develop their productive capability to take advantage of the opportunities of increased market access and at the same time minimize the costs of adjustment entailed by trade reforms and any loss in preferential access. In this regard, developing countries needed full access to technology at an affordable price, infrastructure investment and human resource development, an enabling domestic environment for private investment and innovation and an appropriate social safety net. Developing countries, including LDCs, needed policy space to manage their trade, financial and development policies in alignment with their national development priorities and strategies.

Policies and lessons learned

Many participants stressed the importance of an open, fair and equitable multilateral trading system that would offer opportunities for developing countries to participate and generate resources for financing their development. Therefore, it was seen as crucial to prevent abuses such as anti-dumping measures. It was also noted that an export-led growth strategy and proper sequencing of trade liberalization was essential for trade-related long-term development.

During the session, speakers underscored the importance of reducing trade barriers and increasing market access for the full range of developing country exports, including agricultural commodities, manufactured goods and services, and not excluding technologically intensive high value-added goods. They urged all main trading partners of developing countries to honour their trade liberalization commitments and respect the judgments of established dispute settlement mechanisms. Some participants were of the view that major economies had a moral responsibility to ensure that their policies assisted the participation of developing countries in the trading system. It was noted that successful developing countries had used their policy space effectively to become competitive and integrate their economy into the global production chains.

Discussants pointed out that technical assistance was needed by many developing countries, particularly LDCs, SIDSs and LLDCs, to participate meaningfully in international trade negotiations. Duty-Free and Quota-Free (DFQF) access for LDC exports was an important tool to integrate these countries more effectively. Moreover, developing countries needed enhanced access to technology and know-how for investment and innovation. The current international intellectual property regime was favouring producers and holders of international property rights, who were mostly located in developed countries.

A number of participants underscored the importance of regional and bilateral trade agreements in promoting trade. They cautioned, however, that these agreements must be designed in a way to advance development and promote and support regional integration in developing countries and should be in conformity with WTO rules. Speakers also stressed the importance of policies promoting South-South trade. They welcomed the agreement at UNCTAD XII on the continued negotiation of a Global System of Trade Preferences (GSTP) and its early conclusion in November 2008.

Aid for Trade (AfT) was seen as an important mechanism to help developing countries benefit fully from their participation in international trade through technical cooperation and investment in infrastructure and productive capacity building. A number of participants also underscored the need for international support for middle-income countries in trade. In this regard, they called on international financial institutions, including regional and subregional institutions, to adopt development cooperation schemes suited to middle-income country needs in trade adjustment and capacity building, particularly in order to improve the export sector.

Speakers pointed to the importance of promoting fair trade at the national level to allow small and medium-sized enterprises and the most vulnerable segments of the population to benefit from trade. Some developed countries had been working with developing country partners to focus efforts on boosting trade benefits to the weakest groups, empowering women and strengthening their participation in trade and supporting environmental sustainability and trade.

The Doha Development Round (DDR) and achieving development goals

A successful conclusion of the DDR would be critical to fulfilling the commitment to “trade as an engine of development” in the Monterrey Consensus. The DDR should result in increasing market access for agricultural commodities from developing countries and reducing levels of distorting agricultural subsidies, especially in developed countries. These changes could remove impediments to investment and productivity growth in agriculture in developing countries and support agriculture-based development that could bolster food security and rural incomes. Speakers cautioned that without meaningful market opening commitments by emerging economies, the full development potential of the DDR would not be achieved. Many representatives stressed that the real content for development of the DDR should include the provision of policy space and the removal of conditions, which hamper the promotion of forward and backward linkages. It should include special and differential treatment of developing countries, in particular LDCs, SIDSs, LLDCs, transit states and low-income countries in Africa. Speakers also highlighted the importance of possible arrangements for commodity price stabilization.

Many participants noted that AfT was a necessary complement to a successful Doha Round in increasing developing country trade and productive capacity and addressing constraints to their competitiveness in international markets. They underlined the importance of commitments to additional resources to fully finance AfT. However, it could not be a substitute for an ambitious outcome in trade liberalization. Participants stated that in addition to AfT the Enhanced Integrated Framework (EIF) for LDCs was the concrete mechanism available to respond to LDCs’ development imperatives. Many participants urged development partners to provide adequate resources so that all LDCs could join the EIF. ■

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During the second Review Session (15 February 2008) of Chapter II, "Mobilizing international resources for development: foreign direct investment and other private flows", participants exchanged views on the quantity and quality of international private resource flows to developing countries and discussed policies to enhance the development impact of those flows. Many speakers stressed that private flows could serve to reduce poverty and stimulate economic growth. There was widespread concern, however, that foreign direct investment remains concentrated in a few countries. Moreover, speakers emphasized that while developing countries should create appropriate incentives to attract productive foreign capital, they must be cautious of short-term and potentially destabilizing capital flows.

At the third Review Session (10-11 March 2008) on Chapter V, "External Debt", it was stressed that, overall, the debt indicators of developing countries had improved markedly since 2002. Most developing countries had debt management programmes in place and had built reserves, reducing vulnerability. The implementation of the Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative had led to a significant reduction of the debt burden of many developing countries. It was also pointed out, however, that there was a considerable transfer of resources from the South to the North, partly because of debt servicing. A large number of countries still faced very high or unsustainable debt servicing burdens. Calls were made for a debt resolution mechanism aimed at guaranteeing fair burden sharing among debtors and creditors.

The fourth Review Session (11-12 March 2008) focused on Chapter VI, "Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development". Participants discussed new trends in international finance, including the increased role of emerging economies, growing global current account imbalances, the emergence of a new generation of financial crises, excessive global liquidity and the continued marginalization of international financial institutions, especially the Bretton Woods institutions. Several discussants noted that international financial institutions had governance, financial and credibility problems. There was a wide convergence of views that the voice and representation of developing countries must be further strengthened in international economic decision-making and norm-setting.

During the fifth Review Session (15-16 April 2008) on Chapter V, "Increasing international financial and technical cooperation for development," it was noted that ODA trends since Monterrey showed an increase between 2002 and 2005, followed by two consecutive years of decline in 2006 and 2007. Participants expressed the view that the Doha Conference should seek to give greater predictability for meeting the agreed ODA commitments. South-South cooperation, including triangular cooperation, was seen as an important aspect of development cooperation. Emerging donors could contribute to lessons learned from their own development experience. Many speakers highlighted that aid quality and effectiveness depended significantly on national ownership, domestic policies and regulatory frameworks, as well as the alignment of ODA with national policy objectives.

The last Review Session (19-20 May 2008) dealt with Chapter III, "International trade as an engine for development". Participants called for a universal, rule-based, open, non-discriminatory and equitable multilateral trading system. The Doha Development Round should be concluded by the end of 2008, so that trade could trade play its full part in promoting economic growth, employment and development for all. Participants highlighted the potential for trade liberalization to increase export earnings and promote economic growth. Numerous speakers emphasized the growing importance of South-South trade. Many participants insisted that trade liberalization had to be synchronized with conditions in developing countries. Aid for trade could help build capacity to ensure higher productivity in developing countries and enable them to better compete in the global market place.

See the Roadmap to Doha, a full calendar of high-level intergovernmental events on financing for development held during the preparatory process: http://www.un.org/esa/ffd/doha/roadmap.htm ■

Other events in preparation for the Doha Conference

Interactive hearings with representatives of civil society and the business sector on financing for development will be held at UN Headquarters on 18 June 2008. In addition, UN regional commissions, with the support of regional development banks and other relevant entities, have held regional consultations in preparation of the Doha Review Conference.

More information is available on the FfD website (www.un.org/esa/ffd)

Doha NGO Group

The Doha NGO Group comprises the following networks that serve as facilitators in the FfD process. The current group includes:

- AFRODAD
- AWEPON
- Cooperation Internationale pour le Developpement et la Solidarite
- EURODAD
- LATINDADD
- InterAction
- International Trade Union Confederation
- New Rules for Global Finance Coalition
- NGO Committee on Financing for Development
- Third World Institute
- Third World Network
- Ubuntu
- Women's Working Group on Financing for Development

NGOs that are not familiar with the FfD process and want to engage in the Doha Review Conference and its preparatory process are encouraged to contact one of these networks.

ECE holds regional consultation in preparation for Doha Review Conference

The United Nations Economic Commission for Europe (ECE) held, on 13 May 2008 in Geneva, a regional consultation in preparation for the Follow-up International Conference on Financing for Development. The meeting focused on region-specific aspects within each of the six thematic areas of the Monterrey Consensus, including domestic and international resource mobilization, trade, external debt, international financial and technical cooperation for development and enhancing the coherence and consistency of the international monetary, financial and trade systems. At the meeting, regional experts from UNECE, UNDP, UNCTAD, IMF, WTO and academia exchanged their views and made recommendations on what economic issues should be addressed in Doha. As a result, a summary will be prepared and presented as input to the outcome document of the Doha Review Conference. More information, including the agenda of the meeting, is available on the FfD website.

Informal consultations on outcome document

On 9 and 16 June 2008, the General Assembly held informal consultations on the contents of the outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus. The consultations were co-chaired by H.E. Mr. Maged A. Abdelaziz, Permanent Representative of Egypt, and H.E. Mr. Johan L. Løvald, Permanent Representative of Norway. Statements made during the consultations are available on the FfD website.

Civil Society Forum

In preparation of the Hearings of civil society, the NGO Committee on FFD and UBUNTU, on behalf of the Doha NGO Group (DNG), organized a Civil Society Forum on 17 June 2008 at the Church Center in New York. The webcast of the meeting is available at http://www.civilsociety.tv/live.

Consultation of the Women's Working Group on FfD

The Women's Working Group on FfD with the support of UNIFEM has organized a consultation on FfD from 16-17 June 2008 at the Church Center in New York. For more information, contact Ms. Nadia Johnson at WEDO.

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