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NOTE

from : Council Secretariat
to : Delegations

Subject : UNCTAD XII- The European Union's Key Objectives and Priorities

Delegations will find attached in Annex the "UNCTAD XII- The European Union's Key Objectives and Priorities" as adopted by the General Affairs and External Relations Council on 15 October 2007.

ANNEX

UNCTAD XII – The European Union’s Key Objectives and Priorities

A. The EU Perspectives on UNCTAD XII

1. The 12th United Nations Conference on Trade and Development (UNCTAD XII) will take place in Accra, Ghana, on 20-25 April 2008. The themes for the conference were negotiated in Geneva between February and mid-April 2007. They are mainly of a general nature thereby allowing a wide variety of topics to be brought up and discussed in the UNCTAD XII process.

2. The main theme will be "*Addressing the Opportunities and Challenges of Globalisation for Development*" with four sub-themes:

1. Enhancing coherence at all levels for sustainable economic development and poverty reduction in global policy making, including the contribution of regional approaches;
2. Key trade and development issues and the new realities in the geography of the world economy;
3. Enhancing the enabling environment at all levels to strengthen productive capacity, trade and investment: mobilising resources and harnessing knowledge for development;
4. Strengthening UNCTAD; enhancing its development role, impact, and institutional effectiveness.

3. UNCTAD XII will be a time to reflect on the contribution of UNCTAD in helping developing countries to benefit from globalisation. It will also be a time to reflect on the role of UNCTAD as the focal point in the UN for the integrated treatment of trade and development and interrelated issues in the areas of finance, technology, investment and sustainable development (core mandate). An important purpose of the conference is to give the mandate and to set the work programme for the organisation for the following four years.

4. UNCTAD XII provides an important opportunity for dialogue and debate on issues of globalisation and interdependence at a time when there is increasing need for a shared understanding of how best to ensure that globalisation results in real benefits for developing countries, in particular the poorest of them. The way the EU acts in UNCTAD XII and its preparatory process should contribute to strengthening confidence in the multilateral system in general.

5. In the preparation of UNCTAD XII the EU wishes to reaffirm its commitment to UNCTAD. In order to strengthen UNCTAD care must be taken that the issues tackled within the themes for UNCTAD XII remain within UNCTAD's core mandate and within its capabilities and resources, so that it adds value and delivers results which can then be accurately measured for their effectiveness. The EU emphasises that the Plan of Action to be adopted in Accra should build on the Bangkok Plan of Action as well as the Sao Paulo Consensus. In order to provide input to UNCTAD's future activities, UNCTAD XII should not repeat discussions held in other fora, but based in the specificity of its mandate, should focus on strengthening its comparative advantages rather than broadening its mandate.

6. The EU will approach UNCTAD XII in a positive and constructive spirit. It is determined to work closely with our developing country partners to achieve a successful outcome to the Ministerial Conference. We must ensure that in the coming years UNCTAD continues to provide expert analysis of the challenges and opportunities of globalisation, a forum for dialogue and consensus building and a programme of technical assistance focused on trade and investment capacity-building. These should be based on real-time needs and data while aligned with country-owned poverty reduction strategies.

7. As the world's largest trading partner, the largest donor of development assistance and the biggest contributor to multilateral trade related assistance programmes, the EU has an obligation to play a leadership role at UNCTAD XII.

8. This EU role is firmly based on the EU's commitment to an open, equitable, rule-based and non discriminatory multilateral trading system and to its further development through a successful and balanced conclusion of the Doha Development Round. The EU's position reflects its strong commitment to the implementation of the Johannesburg Plan of Implementation, the Millennium Declaration, the Monterrey Consensus, the Paris Declaration on Aid Effectiveness, the 2005 World Summit Outcome and to the achievement of the Millennium Development Goals. The EU's contribution to UNCTAD XII is based and built on agreed policies and positions set out in various central policy documents such as:

- the EU Consensus on Development,
- the EU Strategy for Africa,
- the EU Council conclusions on Aid for Trade,
- the EU Council conclusions on Gender Equality and Women's Empowerment in Development Cooperation, and
- the EU Action Plan for Agricultural Commodities

B. The EU's Objectives for UNCTAD XII

General Objectives

9. Globalisation has created immense opportunities and challenges for development. With this theme in focus at UNCTAD XII the EU wishes to elaborate on the connection between globalisation and development from a range of different angles. This is based on the experience that the pro-development impact of globalisation is not necessarily an automatic process, but needs to be induced by political decisions and actions. UNCTAD's work, centred on the eradication of poverty in the context of trade and sustainable development, should make an important contribution to exploiting the benefits of globalisation for developing countries, with an especial and differential focus on those that are more vulnerable and that enjoy lower levels of development, including the LDCs. A major challenge for the international community today is to ensure that globalisation is a positive force for all of mankind, men and women alike.

10. We also recognise the interplay of the economic, social and environmental dimensions of globalisation that has become part of the international globalisation dialogue and the contributions by different international organisations in this context.

11. UNCTAD XII should have a balanced outcome in particular with regard to the macroeconomic analysis of the effects of globalisation and to the role of market forces and governments.

12. The EU wants to underline once again its strong interest in a stable, democratic, and prosperous Africa. LDCs and African countries are facing profound challenges in increasing their exports, attracting crucial foreign investment and building the solid democratic institutions responsive to the needs of their people. Supporting LDCs and African countries in coping with the challenges related to its core mandate must be a major focus of UNCTAD's work. UNCTAD should continue to pay particular attention to the needs of LDCs and Africa, keeping in mind the needs of other regions, particularly South, and Central America and Asia. As noted by the UNCTAD SG in his report, UNCTAD can contribute to the efforts by the UN system to diagnose the causes of the lack of progress and make practical policy recommendations to put the LDCs back on track.

13. The EU sees three areas that deserve particular emphasis in terms of UNCTAD's activities in favour of Africa. These are, firstly, UNCTAD's valuable trade analysis. For many African countries, UNCTAD's research and analysis on trade policy is essential for them to be able to identify their policy objectives and priorities. Secondly, UNCTAD's capacity building programmes such as the training of trade negotiators. Finally, UNCTAD's technical assistance projects, UNCTAD's involvement in the Enhanced Integrated Framework and the Joint Integrated Technical Assistance Programme (JITAP) continues to be important. The EU welcomes UNCTAD's activities in support of African countries and the New Partnership for Africa's Development (NEPAD), in particular.

The UNCTAD Secretariat can strengthen its activities in favour of African countries, by providing coherent and effective assistance that can meet the short and long term needs of the recipient countries. This assistance should be demand driven.

14. UNCTAD XII should take into account the outcomes of recent major international conferences. It should not be used to reinterpret the outcomes of these conferences nor to renegotiate areas where agreement has already been reached. UNCTAD XII and UNCTAD's future priorities should fully incorporate and operationalise the Monterrey Consensus including the understanding that "each country has primary responsibility for its own economic and social development" and that "the role of national policies and development strategies cannot be overemphasised". At the same time it should stress the responsibility of the international community and development partners to support developing countries' efforts, particularly for LDCs.

Priority Areas

15. The European Union will pursue the following four areas as priorities for UNCTAD over the coming four years:

- South-South Trade and regional integration;
- Commodities and trade in natural resources;
- Investment and competition;
- Strengthening UNCTAD through reform.

In all these areas, special attention should be given to Africa and the LDCs.

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

16. Sustainable and equitable development includes good governance, promoting respect for human rights and democratic processes as well as political, economic, social and environmental aspects. In particular good governance is a key component of policies and reforms for poverty reduction and global security as well as for the promotion of democracy, human rights and the rule of law. Promoting the fight against corruption, both at the national and international levels, remains one of the most important tasks. The importance of good governance and other elements of sustainable development should also be highlighted at UNCTAD XII. UNCTAD should be asked to strengthen its work on good governance (related to its mandate) and take the above elements of sustainable and equitable development strongly into account for its future work.

17. Gender equality (see Bangkok Plan of Action, para 8 and para 73 of Sao Paulo Consensus) is a fundamental human right, a question of social justice and also a core value of the EU, including EU development policy. The promotion of gender equality and the enjoyment of human rights by women and girls are goals in their own right and also instrumental and key to achieving internationally agreed development goals, including the Millennium Development Goals (MDGs). There are close links between sustainable achievements in poverty reduction and development and the empowerment of women, including their political empowerment. Gender equality and women's empowerment should be mainstreamed in UNCTAD's policies and practices.

18. Developing countries must continue efforts to seek coherence between their trade policies and other development policies, via further integration of trade policies within their broader national development plans. UNCTAD should assist developing countries in mainstreaming trade in their poverty reduction strategies and monitor the poverty impacts of the implementation of these policies. For LDCs in particular this should be done by effectively supporting and fully utilising the Integrated Framework, in full coordination with other stakeholders

19. Further integration of developing countries and regions can contribute substantively to supporting national development agendas and fostering economic growth and efficiency. It can help provide smaller, landlocked and SIDS economies, especially LDCs with new trade opportunities.

20. Many developing countries have subscribed to deep regional integration as a means of boosting growth and sustainable development, but the capacity required for implementation is scarce. UNCTAD, together with regional organisations and UN regional commissions, could play a role in helping countries to effectively translate the political objectives of deeper regional integration into effective policy recommendations and action on the ground, including strengthened coordination of relevant internal policies.

South-South Trade and regional integration

a) South-south trade opportunities

21. The dynamics of trade have changed. Since the early 1990s, South-south trade has expanded at a more rapid pace than either North-north or North-south trade. Many developing countries are experiencing impressive levels of economic growth and their trading partners are changing to reflect this. While the most dynamic are to be found in the emerging countries, these markets are sometimes highly protected. Having this in mind, we recall that LDCs face particular constraints to access world markets. For this reason, the EU has granted full duty free and quota free market access to the LDCs. We consider that identical measures should be adopted by developed countries, as agreed in Hong Kong WTO Ministerial Conference, and should be implemented by developing countries that are in a position to do so, especially emerging economies, which are now powerful engines of growth for the world economy and should bear their share of responsibility in parallel to the enhanced role they have in the international trading system. No longer is the issue of solely North-south trade, but of developing and improving on existing South-south trade and enabling developing countries to benefit fully from these new opportunities. As one of the core missions of UNCTAD, the promotion of South-South trade and the means by which its increase can be achieved should be discussed in UNCTAD XII using case studies where appropriate.

b) 'Traditional' regional integration

22. Given the importance of building local and regional markets with neighbouring countries as a precursor to global trading, higher priority should be given to regional integration. Regional integration amongst developing countries can help to overcome the limitations of small economic size by creating a wider platform for exchange, enhance efficiency, increase attractiveness for Foreign Direct Investment (FDI), enable economies of scale, secure greater bargaining power and last but not least contribute to peace and stability. It can contribute significantly to progressive participation in the global economy and to accelerated development.

23. The potential of integration is further enhanced when it goes beyond border measures, such as the elimination of tariff barriers and extends to so-called deep integration. This can include the convergence of certain crucial domestic policy areas, regulatory convergence, the adoption of harmonised standards including, where appropriate, environmental and social (e.g. labour) standards and regional financial services with the support of UNCTAD expertise. It is also possible to operate more efficiently if institutions and capacity building are set up at regional level. This applies to trade-related areas such as legislation and regulation of intellectual property, conformity assessment services, enterprise advisory services and the whole range of trade facilitation measures, including customs procedures and transit regimes. Such coordination and division of labour at regional level would also foster the sustainability and financial viability of such activities.

24. In this respect the potential for the promotion of deeper regional integration could be analysed. The Economic Partnership Agreements (EPAs) between the EU and the ACP countries, currently being negotiated, could be mentioned as a good example of instruments for sustainable development contributing to poverty eradication in ACP States and mechanisms for fostering regional integration by pursuing the creation of regional markets, promoting trade facilitation and stimulating inter-regional investment.

c) New generations RTA and their coverage of WTO+ issues

25. During the last decade a "new regionalism" has emerged: a move by developing countries to come together in Regional Trade Arrangements (RTAs). This recent wave of regional integration is being carried out in a climate of increased liberalisation, with integration occurring among countries which are simultaneously lowering extra-regional trade barriers, thus enabling countries to capture more benefits of trade. Key emerging countries, such as China, India or Brazil, have taken the lead and are currently negotiating a wide range of RTAs.

26. RTAs can thus be designed to contribute to a political environment that is more conducive to stability, investment, and growth. This is especially the case for South-South Trade agreements, which are a catalyst for economic reforms that have the potential to gradually integrate developing economies into the world economy and lift people out of poverty.

27. In view of the above, the EU considers that RTAs should aim to pursue trade-expanding policies not fully addressed in multilateral trading rules (whilst remaining WTO-compatible). Trade agreements, hence, should go beyond tariff reduction to also include trade barriers that lie behind borders. UNCTAD, in co-operation with other development partners, can play an important role in promoting such efforts.

28. As is clear from the above, for an increasing number of developing countries trade and trade related policy is formulated and implemented in the context of RTAs. However, in order to spur trade and development, trade policy needs to be fully integrated into a sound domestic policy framework, e.g. by incorporating trade policy into Poverty Reduction Strategies or National Development Strategies. In many cases of South-South RTAs, there is still a gap between integration policy objectives and their effective implementation. Monitoring mechanisms are often inadequate and do not receive the sustained high-level political attention necessary to drive institutional improvements in, for example, adherence to tariff reduction schedules and well functioning customs. UNCTAD has a role to play in supporting effective implementation. UNCTAD should therefore stress the importance for countries engaging in RTAs to recognise that the engine of liberalisation and regulatory reform also has to be home-driven, and fuelled with the willingness to implement domestic reforms. It should be stressed that while RTAs can be a tool for development, they are not panacea, and require each country to remain fully committed to the process. UNCTAD's advocacy work is of great importance in building consensus around this message.

29. Donor support should be based on a coherent needs assessment. Whilst approaches for national level trade needs assessments are quite well developed, in particular for LDCs via the Integrated Framework for Trade Related Assistance for LDCs, much work still needs to be done in this area, including ensuring participation of stakeholders in the formulation of regional trade policies. Links and coordination with all involved agencies are important. UNCTAD could contribute to cross-continental sharing of experience.

30. Our efforts should focus in particular on the needs of Africa as it is undisputed that this continent, which holds the greatest number of LDCs, faces some of the greatest challenges in integrating into the multilateral trading system, and has difficulties in best using trade as an engine for economic growth. This implies the involvement of the LDCs and other African countries in international trade, the consolidation of regional dynamics and also the enhancement of the competitiveness of national products on their own markets.

31. Finally, in close cooperation with UNIDO, the strengthening of the developing countries' production capacities, most particular those of the LDCs, must receive specific support so that rules can be complied with and standards respected, so that developing countries' products can compete on international markets. Opportunities afforded by various labels (e. g. geographical indications, organic production, fair trade) must be turned to advantage.

32. Bearing in mind the increasingly relevant role that some developing countries are having in shaping the world economy, a discussion should be considered on how South-South Trade, investment and aid flows can be harnessed by poor nations, particularly in Africa, for sustainable growth and development. This discussion should also consider how multiple partnerships could be envisaged to make the new opportunities mutually supportive and conducive to African priorities expressed in the countries' development strategies as well as in AU and NEPAD strategies.

Commodities, trade in natural resources

33. When prices of commodities fell at the turn of the century consensus developed on the need to step up the attention to commodity dependent countries' efforts to restructure and diversify their commodity sectors in ways that are consistent with the market, provide greater revenue to producers and reduce their vulnerability. Even though the price situation is different today, the EU considers that this attention needs to be maintained, and stepped up in order to support commodity dependent countries equipping themselves to better handle future price fluctuations and continued competition. At the same time the recent upward trends in commodity prices represent an opportunity that commodity-dependent countries should be able to fully exploit. In this context, UNCTAD should contribute to re-launch the commodity agenda. This includes assisting the developing countries in supply-side capacity building and improving the competitiveness on the international markets of the traditional commodity sectors through the "Aid for Trade" initiative.

34. UNCTAD XII, and the organisation, should therefore continue to give attention to the problem of commodity dependence and in particular the situation of producers. To play this role effectively, coherence with existing important actors including the private sector is required. UNCTAD's resources in this area need to be adequately focused, and UNCTAD should carefully consider its role in relation to other international actors in this field who have been playing an increasingly important role, such as International Commodity Bodies. These International Commodities Bodies have real competences in providing good information, setting sustainable development standards, and improving sustainable production. A greater coherence of UNCTAD activities with the priorities of these organizations, in order to enhance their effectiveness, should be guaranteed. Financing of ICB's projects could be considered through different funding mechanisms, including, *inter alia*, the Common Fund for Commodities.

35. The EU considers that the keys to an improved and sustainable situation for commodity dependent countries and especially the small and isolated producers lie in three main and mutually supporting themes of action. The action of UNCTAD should be supportive of these, in line with its comparative advantage:

- Development of national commodity restructuring strategies by commodity dependent countries, based on analysis of strengths, weaknesses, opportunities and threats. Those strategies should, on the one hand, lay down how to strengthen the traditional commodity sectors, to enable these sectors to provide resources for further economic development, in ways which promote higher revenues for developing country producers. To enable producers to add greater value to their production, a special focus should be given to assisting countries to move up the value chain of traditional commodities and make it work for sustainable development notably by incorporating a clear focus on social and environmental standards, as well as to improve the quality of products, and the development of new production processes such as organic farming. On the other hand, commodity strategies should address horizontal diversification opportunities, in order to enable pursuit of new and more promising motors for development and to spread risk, both at macro and micro level. These strategies should be incorporated into Poverty Reduction Strategy Papers (PRSPs) or equivalent national development strategies.

- Identifying, developing, and implementing innovative crosscutting commodity related initiatives to support and improve market functioning and facilitate access by producers to essential input, services, finance and information.
- The introduction of risk management instruments (i.e. price risks, risks related to natural disasters) will reinforce effectiveness of both FDI and productive capacity of Developing countries. UNCTAD, in partnership with other international organizations such as the World Bank, should explore policies and measures supportive of such instruments on a public or private basis.

36. UNCTAD has much relevant experience to draw upon in the field of commodities and could usefully support the priorities outlined above. Necessary political impetus and focus must be provided through UNCTAD XII for further work in the UNCTAD context, which should also aim at identifying the areas where there is clear comparative advantage for UNCTAD. In this respect the EU supports the overall objective of the Global Initiative on Commodities which aims to re-launch the commodities agenda from a poverty reduction and development perspective and to raise the profile and the understanding of the issues at stake.

37. UNCTAD can assist by providing information and analysis on overall developments and trends in a way which complements the sector specific work undertaken in the individual commodity bodies; exploring and building consensus around the regional dimension of commodity development, assisting countries in identifying challenges and opportunities to be addressed at regional level – by both public and private organisations; and by supporting the development of tools improving the functioning of commodity markets. UNCTAD should also strengthen its co-operation with other agencies, which have specific expertise in the area of the development of productive capacities for commodity transformation. The private sector is increasingly cooperating with the commodity organisations and this partnership needs to be further developed. UNCTAD could help to foster this relationship. Resource-rich developing countries should be encouraged to use resource rents to ensure long-term sustainability by replacing the depletion of natural resources by investment in material and human capital. UNCTAD could also consider working on the impact on development of high prices of commodities and the use of these extra resources.

38. Focus must be on the most commodity-dependent countries, and in particular the LDCs amongst them, who have the least resources for monitoring and reacting to new international developments such as increased competition from new entrants and new technologies, market concentration and integration.

39. UNCTAD has recently begun looking at issues of transparency and accountability as well as at the effective regulatory framework of developing countries surrounding investment in natural resources. As part of its efforts to work with producing countries to reduce commodity dependence, UNCTAD is encouraged to promote revenue transparency and responsible natural resource management including through the promotion and support of initiatives like the Extractive Industries Transparency Initiative (EITI) or the Forest Law Enforcement, Governance and Trade Action Plan (FLEGT). For the international community, these issues are taking on increasing importance with the rise in demand for commodities, on the one hand, and concern about the development impact of some forms of commodity production and trade, on the other hand. UNCTAD could assess the potential impacts on natural resources and environment that the development of new economic activities and services can imply. This work would thus raise awareness on these potential impacts. UNCTAD could potentially make a significant contribution in collaboration with other relevant stakeholders to these issues which are, at present, not being looked at consistently by any other major body in the UN system.

Aid for Trade

40. Aid for Trade has become a prominent and important issue for the international trade and development community. It cannot be a substitute for the development benefits resulting from a successful, balanced and comprehensive conclusion of the Doha Round but will be a valuable complement.

41. It is now accepted that increased and more effective Aid for Trade is needed to support all developing countries, in particular LDCs, to better integrate into the rule-based world trading system and to use trade more effectively in promoting the overarching objective of poverty reduction in the context of sustainable development. That is why the EU will adopt an EU Aid-for-Trade strategy by the end of the year 2007, defining how the EU can best support the international aid for trade initiative. In a similar vein, UNCTAD XII should provide guidance on how UNCTAD trade related technical assistance can best contribute to the Aid for Trade agenda.

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

Investment

42. The EU considers sustainable and socially responsible FDI a key means to promote development and economic and social growth. The interdependence and complementarity between trade and FDI are widely recognised. Sustainable international rules on FDI contribute to improving the business climate by increasing legal certainty for investors and by reducing the perceived risk of investment. However, FDI flows also depend on a whole range of other factors such as political and macroeconomic conditions, infrastructure and human capital, domestic policies, judiciary capacity and the bureaucratic environment. Domestic reforms are crucial in contributing to attracting FDI and their effectiveness can be enhanced if backed by international rules ensuring that the regulatory framework remains stable, transparent and non-discriminatory.

43. Unlike industrialised and emerging economies, many less advanced developing countries often reap only inadequate benefits from FDI. In shared responsibility with our developing country partners we want to enable that quality FDI inflows grow, that local infrastructure facilitates the operations of national and foreign investors, that the skill of the local labour force and the advantages of transfers of management skill and technology that accrue from FDI increase, and that the ability of and opportunities for domestic firms to supply inputs to foreign-invested companies and to take an increasing share in international value chains are strengthened.

44. Appropriate policies need, therefore, to ensure that investment works in the interest of sustainable development. Economic, social and environmental aspects of sustainability are crucial in order to maximise the FDI benefits for all developing countries, including least developed countries. The work of UNCTAD on investment should keep a clear focus on sustainable development, as well as on promoting good governance and a supportive investment climate as part of national development strategies.

45. Good governance is vital for the enhancement of an enabling environment to strengthen productive capacity, trade and investment. Potential investors look at a range of issues in making investment location decisions. There is a critical relationship between providing a stable, transparent and corruption-free business climate, including public procurement, and the ability to attract much needed foreign direct investment and to enable those governments to encourage private investment that is both socially responsible and economically beneficial to investing businesses (CSR).

46. The EU believes that UNCTAD, because of its universal membership and respect it enjoys in the developing world, is well placed to promote a pro-development approach to investment which is both ambitious and flexible. Given that investment is itself a development factor, a good balance is needed between the interests of countries where FDI originates and countries where it is invested, as well as between the investors and the employees. Development-friendly investment rules are needed that avoid capital flight which is so detrimental to development, while providing sufficient attention to individual countries' need to adapt their policies according to particular circumstances, provided this is done in a non-discriminatory, transparent and predictable manner. This approach should, inter alia:

- focus on long-term investment that generates stable employment and growth;
- guarantee that social and ecological standards as well as core labour rights (ILO) are observed;
- foster transparency by clarifying the regulatory framework, including in taxation;
- ensure that host and home states fully retain their right to regulate;
- improve market access for investments;
- provide for national treatment of foreign investment established in accordance with the laws and regulations of the host country ;

- aim at freeing the flow of payments and investment-related capital movements, while preserving the possibility of taking safeguard measures in exceptional circumstances.

47. The UNCTAD Work Programme on International Investment Agreements is in this respect an excellent example where the institution can help developing countries to participate in the international debate through its three pillars: policy analysis, capacity-building and intergovernmental consensus-building.

48. After the suspension of the WTO negotiations on investment, UNCTAD indicated its interest in leading the multilateral debate on investment policy. In order that the development aspect of investment remains in focus, UNCTAD should be stimulated to continue its work on investment-related issues, in cooperation with other international organisations active in this field (e.g. OECD).

49. Following a democratic pro-development approach that enables the reform, in a participative manner, of the investment climate, in line with the G8 Summit Declaration of the 7 June 2007, the Policy Framework for Investment and OECD's main guidelines on private sector participation in infrastructure development, the EU believes that UNCTAD and the OECD should jointly engage industrialised countries, emerging economies and developing countries in the development of best practices for creating an institutional environment conducive to increased foreign investment and sustainable development, this process being closely connected with UNCTAD XII.

50. The EU also appreciates the evolving focus of the annual UNCTAD World Investment Report (e.g. South-South FDI in 2006) and sees the UNCTAD Investment Policy Reviews as valuable mechanisms in defining a shared understanding of healthy investment climates in emerging economies and developing countries. These Investment Policy Reviews are currently carried out on a voluntary basis, thus guaranteeing the ownership of the partner country, and financed on extra-budgetary resources. The EU would favour a broader and more structural approach, entrusting UNCTAD with drafting such Investment Policy Reviews reaching the widest possible coverage of developing countries and elaborating on the development implications of FDI and the related investment framework. The Investment Policy Reviews should be regularly updated concerning their implementation and development impact so as to maintain the focus and increase the effective follow-up of the recommendations.

51. Again, important elements for attention include the regional dimension and private sector participation. Coordination with other bodies, such as the OECD and its Policy Framework for Investment, the World Bank and UNIDO will be important to ensure the best possible value added. In this area, UNCTAD should actively participate in the UN Global Compact.

52. Furthermore, we should stress the essential part played by the financing of small and very small undertakings in the LDC context. An environment which favours the development of appropriate instruments must be taken into account in UNCTAD's work with governments.

53. Enhancing the enabling environment includes fostering greater partnerships with the private sector – both domestic and foreign – to strengthen the integration of developing countries and local producers in the global production system. UNCTAD should explore ways to enhance the private sector's role. UNCTAD could also support developing countries efforts in converting activities from the informal to the formal sector.

54. Weak human capacity in economic and trade development sectors is one of the main constraints for developing countries especially LDCs and African countries. UNCTAD should support the consideration of the capacity building needs in those sectors, through training, education and research policies, through programmes implemented by other UN Agencies and through the Integrated Framework for LDCs.

Competition

55. In parallel with the growing complexity of the international system of investment rules, competition provisions are increasingly being added to bilateral and regional preferential trade agreements.

56. Establishing a multilateral framework on competition policies could therefore contribute towards a more effective application of domestic competition regimes and will be of benefit to consumers, business and industry more generally, not least for developing countries.

57. UNCTAD appears to be the appropriate forum to continue to discuss competition issues on the multilateral level, with close linkages to existing networks of competition authorities. UNCTAD has long-standing experience in providing advice and technical assistance to developing countries on competition matters. The EU therefore supports the work UNCTAD has done in this field, promoting the use of competition law and policy as tools for achieving domestic and international competitiveness, and would like to see UNCTAD's role confirmed at and beyond UNCTAD XII.

58. UNCTAD work in this area should promote competition law regimes that accommodate the special needs of developing countries, and which take into account the prevailing economic conditions in these countries. Competition authorities in developing countries should also benefit from better coordinated and coherent technical assistance and capacity-building activities, and UNCTAD could play an important role in this, together with the other appropriate international and regional organisations.

Strengthening UNCTAD; enhancing its development role, impact, and institutional effectiveness

59. UNCTAD undeniably has a record of achievements in the active promotion of development worldwide. However, there is a widespread perception that UNCTAD today should reinforce its relevance, effectiveness and impact. Only by adapting its working methods and structures to changed needs will UNCTAD be able to continue to play an important role in helping developing countries utilise trade and investment as a development tool to reduce poverty and achieving sustainable development. This is a clear priority area for the EU, and results achieved in this respect will be a clear indicator of the success of UNCTAD XII.

60. We need to ensure that UNCTAD adopts the necessary institutional reform measures to enable it to deliver on the above, and equally ensure that UNCTAD's future work is compatible with overall UN efforts on coherence and reform.

61. UNCTAD should actively pursue a clearer division of labour and stronger cooperation with other parts of the UN system and other international organisations by deepening its working partnerships with them. Duplication of efforts and resources should be avoided. Certain key global objectives can be better achieved by other UN actors or international agencies, or by a cooperative effort including UNCTAD. UNCTAD should cooperate closely with other UN organisations and international organisations, with appropriate regional organisations, and with civil society, in particular the private sector.

62. UNCTAD should fully subscribe to and engage in the UN reform processes, particularly concerning the UN System-wide Coherence. The UN reform provides an exceptional opportunity for UNCTAD to position itself in the UN family and to create and reinforce operational links with other UN organisations, particularly those operating at country level, in order to put the knowledge and expertise of UNCTAD to best use to the benefit of the developing countries.

63. The EU believes that all three UNCTAD pillars (research and analysis, consensus building in the intergovernmental process, capacity-building and technical assistance) need consideration if we want to equip UNCTAD to move forward and deliver concrete results for developing countries. The research and analysis, through the intergovernmental process, should be clearly aimed at supporting action orientated capacity-building and trade related technical assistance addressing the evolving needs of developing countries. As far as technical assistance is concerned, and as a way to enhance UNCTAD's impact, the EU considers that the management of UNCTAD's trust funds should be improved.

64. For example, we would like UNCTAD XII to identify the kind of research and analysis that will help developing countries use trade and investment as an engine for economic growth and poverty reduction. Our belief is that UNCTAD's work needs to be demand driven and embrace country ownership following the principles of the Partnership Commitments of the Paris Declaration on Aid Effectiveness. UNCTAD TRA-related activities should support the principles laid down in the Integrated Framework for Trade Related Assistance to LDCs, including country ownership and donor coordination. UNCTAD should continue to follow the further evolution of the IF and similar schemes for needs assessment and donor coordination. UNCTAD should also work closely with the relevant donor agencies (e.g. the World Bank, the regional banks ...) to streamline the identification of needs and the approach to address them.

65. The work of the Membership should be structured more effectively to allow beneficiaries and donors to focus on practical and pragmatic development solutions rather than on prolonged discussions of draft outcome texts in Commissions and at the TDB. Likewise, the way in which the Secretariat functions and the way in which Secretariat and Membership cooperate is not always conducive to meeting one of UNCTAD's main objectives, namely providing clear and coherent messages to developing countries on how to fight poverty and encourage development. This could be achieved, for example, by keeping policy recommendations concise and ensuring the appropriate follow-up on their implementation. Expert meetings could benefit from a multi-year programme of work and strongly interlinked with UNCTAD research and Technical assistance. Work at the Commission level should be reviewed.

66. The agreement reached on the recommendations presented in the Report of the Panel of Eminent Persons provides the best basis for considering how we can strengthen the organisation up to and beyond UNCTAD XII. We expect the Secretary General to complete the implementation of the recommendations we have put into cluster 1 as soon as possible. As a delay in further consultations on recommendations under cluster 2 could be witnessed in May and June, we recall the decision of the Trade and Development Board in April concerning the need for "continued and active deliberation in the context of the ongoing preparations for UNCTAD XII". This should be done immediately with the start of the Preparatory Committee (PrepCom) in October 2007. We clearly expect decisions to be taken on cluster2-recommendations at the latest at the conference.

67. The EU would like to reiterate its commitment to a successful outcome of UNCTAD XII that would reinforce UNCTAD's role in promoting trade and development.