United Nations

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Summary

I. Morning session

of debtors. The panellist proposed that an equitable, rules-based process of international debt management should be made available to any sovereign State that, whether by its own fault, or by irresponsible actions of its creditors, or by force majeure, could find itself in an unsustainable debt situation.

Discussion

8. Several participants wondered whether there were other mechanisms that could do a better job than the HIPC Initiative at realizing the goals of debt sustainability and poverty reduction for developing countries. Some delegations were of the view that civil society organizations could play a larger role in effecting reforms in heavily indebted poor countries since they were able to mobilize public opinion towards a particular plan of action. One delegation (Japan) announced that through its national bank for international cooperation, it would forgive official development assistance (ODA) debts of eligible countries and would end the practice of dispensing debt-servicing grants, comparable to what other creditor countries did. For non-heavily indebted poor countries, ODA debts would be cancelled as they fell due, with the balance of debt to be completely forgiven by fiscal year 2008.

9. In closing the panel discussion, Mr. Desai said that the panel brought two issues to the forefront of the debate on external debt management reform. The first was the issue of policy coherence and consistency between the objective of debt relief and the Millennium Development Goals; the second related to SDRM and how the Monterrey Conference had elevated the issue of debt relief to the top of the agenda in policy discussions. Debt relief, he concluded, should be viewed in the context of development and the attainment of the Millennium Development Goals.

the goal of debt sustainability and broader poverty reduction goals such as the Millennium Development Goals

- **Support a fair and transparent arbitration process between debtor and creditor countries by establishing an impartial, international debt arbitration panel that should be in full control over debt negotiations and their outcome.**

Panel 2: International trade

Overview

11. Panellists and participants underscored the crucial link between trade and development and supported the commitment in the Monterrey Consensus to a rules-based, non-discriminatory and equitable multilateral trading system.

Presentations

development of that sector of their economies. Based on the experience with the privatization of water distribution in the Philippine capital that had led to adverse consequences for the local population, the panellist saw pressures generated by GATS to privatize basic services in the Philippines and open them to foreign service providers.

Discussion

16. While some participants pointed out that privatization was not an obligation under GATS, others countered that pressure to privatize was in fact exerted by economically powerful countries on developing countries. Several participants from developing countries supported the view that the requirements of GATS needed to be rethought. On the issue of privatization, some speakers expressed concern that agreements reached at the World Summit on Sustainable Development[4] regarding public-private partnerships promoted the privatizations in question. Mr. Desai stated that privatizations differed from public-private partnerships: privatizations w tha18.8(p)t preqsc)0.009.4(i)
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- **Keep sectors such as water, health, education and other basic services from GATS and privatization and work together to make a public sector option viable**
- **Ensure a more flexible policy approach to trade by integrating WTO into the United Nations system**
- **End double standards of advocating trade liberalization in the South and imposing barriers in the North**
- **Make special and differential treatment at WTO and in all international trade agreements operational**
- **Effectively prohibit the practice of selling commodities at less than the cost of production**
- **Build trade rules that are rooted in development and that will maximize decent employment, increase local capital flows and ensure a safe, stable and adequate food supply to protect every person's fundamental human right to food**
- **Shift the focus from promoting liberalization and market access to fostering development**
- **Reverse the course of the discussion on the agreement on TRIPS and the Agreement on Trade-Related Investment Measures (TRIMS)**
- **Do not begin negotiations of rules on investment, competition, government procurement and trade facilitation — the so-called "Singapore issues"**
- **Countries should "just say no" to the addition of any new issues to the WTO agenda and pay close attention to the small print in free trade agreements, as they could be a Trojan Horse**
- **Eliminate the restrictions on capital controls that some regional and bilateral free trade agreements impose on developing countries.**

Panel 3: Reform of global governance

Overview

21. The panel addressed issues of reform needed for the democratization of global governance to enable meaningful and equitable participation of all countries in international decision-making. An illustration was how the failings of international governance had led to the failure to arrive at international agreements necessary to reverse the HIV/AIDS pandemic and improve other aspects of health in poor countries. Panellists recognized global governance reform as a fundamental requirement for achieving the Millennium Development Goals.

Presentations

22. Laura Frade, Alternativas de Capacitación y Desarrollo Comunitario (ALCADECO), focused on democratizing the operations of IMF and the World Bank at the country level and domestic reforms that would promote democratization in governance at the international level. She highlighted the lack of national representation in country programmes, such as the World Bank Country Assistance

Strategies and IMF letters of intent. As they were negotiated between the Bretton Woods institutions and finance ministers and usually bypassed the legislative system, many programmes were not adopted by elected representatives and there was no accountability to the people on the part of the Bretton Woods institutions or ministers. Moreover, in spite of recent efforts at increased consultation, the input of civil society was not taken into account in the formulation and negotiation of agreements.

23. As the legal framework for relations between countries and the Bretton Woods institutions was embodied in national legislation and in the Articles of Agreement of the Bretton Woods institutions, any changes would require changes in country legislation and changes in the Articles of Agreement. The panellist brought up the possibility that the momentum generated by commitments made by the executive branch of countries at United Nations conferences could instigate those changes. In addition, reforms to improve transparency, accountability and participation in domestic governance as well as changes in relationships among ministries and between the legislative and judicial branches were needed.

24. John Foster, North-South Institute, underlined the failure of current international governance in achieving the commitment expressed in the Millennium Development Goals to reverse the HIV/AIDS pandemic and improve all aspects of health in developing countries. The Global Fund, created under the leadership of the Secretary-General, encountered difficulties in getting donors to meet funding objectives. The Doha Agreement on TRIPS and public health recognized the need for mass access to treatment and care in developing countries and the need for those

was aimed at increasing the accountability of Executive Directors. That would require formal votes by Executive Directors on decisions taken by the Executive Board and making those votes public.

Recommendations

27. The panellists presented the following recommendations:

- **Impel the democratization of IMF/World Bank mechanisms at the country**

Exceptions to this principle should be narrowly drawn and only on

Discussion

33. One NGO representative identified programme coherence issues in the World Bank and IMF definitions of "debt sustainability" and the Millennium Development Goals. For example, the definition included income flows from commodity exports, which were highly volatile; yet developing countries were expected to keep their debt level quite stable. She also stressed the importance of impartiality in any new sovereign debt restructuring mechanism. The SDRM structure should include an impartial decision-making system, an impartial assessment of the economic situation of the debtor and an impartial protection of all categories of creditors. The speaker

Presentations

38. Aldo Caliari, Centre of Concern, suggested changing the rules in the Agreement on Trade-Related Investment Measures towards more flexibility for developing countries, as well as more research on the impact of the Agreement on Trade-Related Intellectual Property Rights to ensure it did not compound a country's level of external debt. He also examined the debt roots of trade, the interrelationship between the conditionality for aid and trade, exchange rate stability, balance of payment safeguard provisions and the need for enhanced international financial stability.

39. Sylvia Borren, Netherlands Organization for International Development Cooperation (NOVIB/Oxfam Netherlands), called for more strategic cooperation among all stakeholders to implement policy proposals in a coherent fashion. A major gap lay between coherent policies (e.g., HIPC, ODA, TRIPS, Education for All) and their actual implementation. She underscored the link between increasing levels of debt and structural imbalances of trade experienced by developing countries and called for a halt in the application of trade-related conditionalities attached to debt relief programmes and bilateral or multilateral aid. She recommended that the Economic and Social Council high-level meeting with the Bretton Woods institutions and WTO should explore ways to improve the price and price stability of commodities of export interest to developing countries.

40. Austin Muneku, International Confederation of Free Trade Unions (ICFTU) — African Regional Organization (AFRO), called for a significant policy shift at the national and international levels towards people-centr7.7-248(9pinglf)11.6utolen,n-7.7(-c)9.3(io)herle-cShe

Recommendations

42. The following recommendations were put forward:

- **The debt of developing countries should be written off to the degree that “dumping” by their trading partners has undermined their foreign exchange revenues**
- **Study the ways in which the unregulated use of hedging instruments has contributed to the increased volatility of the prices of commodities with a view to recommending the appropriate financial regulatory measures**
- **Recognize the right of developing countries to use trade-related investment measures fully, as they deem appropriate, to ensure that some of the benefits from foreign investment help to build and upgrade the industrial base in the host economy**
- **Study the ways and amounts in which the implementation of the Agreement on Trade-Related Intellectual Property Rights is likely to compound the levels of external debt of developing countries, with a view to recommending changes in the rules of the Agreement on TRIPS**
- **Consider the possible establishment of a debt relief mechanism through which debt reduction initiatives can help developing countries strengthen supply-side capacity for upgrading and diversifying exports and open more options for trade policy design. Such debt relief or cancellation should not be at the expense of ODA or already committed debt relief**
- **Halt the application of trade-related conditionalities attached to debt relief programmes, at least until the ways in which debt problems curtail the ability of the indebted country to engage in the trading system on favourable terms have been adequately studied and addressed**
- **Assess, with the cooperation of NGOs and local and national peoples’ movements and networks, the impact that required policy reforms will have on the borrowing country, as they interact with current or potential trade obligations the country has to abide by**
- **Identify the ways in which bilateral and multilateral conditionalities and criteria have reduced the negotiating options of the recipient countries in past multilateral trade negotiations with a view to establishing a formal mechanism that grants them corresponding credit in ongoing negotiations on liberalization measures unilaterally undertaken**
- **Halt the application of trade-related liberalization conditionalities and criteria attached to bilateral and multilateral loans and grants**
- **Create a mechanism for ensuring the coordination of macroeconomic and exchange rate policies among reserve currency countries. This mechanism should take into account the impact of dramatic exchange rate fluctuations and misalignments on the trade performance and debt-service obligations of the economies of developing countries**
- **Create a regular and predictable mechanism to ensure that developing countries can opt out of their trade obligations to the extent required to**

compensate for the impact of foreign exchange rate misalignments on their economies

- **Redefine the conditions under which countries can introduce current and capital account controls**
- **Rethink the role of IMF, especially with respect to article XV:2 of the General Agreement on Tariffs and Trade 1994 and article XII:5(e) of GATS, in judging the adequacy of country reserves and other prerequisites that countries need to fulfil in order to implement current and capital account controls**
- **Address the currently overlooked need to achieve appropriate regulation**