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the Enabling Economic Environment at All Levels
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Seventh session
Geneva, 28 November 2024

Report of the Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation, on its seventh session

Held at the Palais des Nations, Geneva, 28 November 2024



Introduction

The seventh session of the Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation, was held on 28 November 2024 at the Palais des Nations in Geneva.

I. Chair's summary

A. Opening plenary

1. The Head, Macroeconomic and Development Policies Branch, Division on Globalization and Development Strategies, UNCTAD, opened the session. The following speakers made opening statements: the representative of the Dominican Republic, speaking on behalf of small island developing States; the representative of Bangladesh, on behalf of the Asia-Pacific Group; the representative of Cambodia, on behalf of the Group of 77 and China;¹ the representative of Jamaica, on behalf of the Caribbean Community; and the representative of Argentina.

2. The representatives of some regional groups expressed concerns that the policy space needed to advance towards achieving the Sustainable Development Goals, to foster economic diversification and to address systemic inequalities was under increasing strain due to external constraints and the compounding effects of crises; noted that the proliferation of trade and investment agreements, often negotiated under asymmetrical conditions, had systematically eroded the policy space available and that, in this context, reforms to the global economic governance structure were required, including enforceable flexibilities in multilateral rules and debt relief and financing mechanisms, as well as technology transfer; highlighted the need for policies to promote resource efficiency and renewable energy adoption, which in turn required a coordinated global effort to phase out fossil fuels and reduce trade-related carbon emissions; stressed the need for increased investment in climate adaptation and mitigation initiatives in the global South, as well as the importance in this regard of flexibilities in intellectual property rules and the need to redesign investment treaties and strengthen South-South cooperation; and emphasized the role of non-tradeable services and sectors with low levels of environmental impact as key drivers of growth, yet cautioned against over-reliance on these sectors to the detriment of manufacturing and industrial development, as these remained crucial in achieving economic transformation. The representatives of a few regional groups stressed the importance of addressing the structural limits and vulnerabilities particular to small island developing States and the least developed countries, particularly through targeted initiatives geared towards institutional strengthening and technical assistance and capacity-building measures, including through the ongoing programmatic activities carried out by UNCTAD; and noted the need for members to increase development support, including through the provision of earmarked funding, to allow UNCTAD to respond dynamically to the needs of the most vulnerable countries, as well as the need for greater collaboration between UNCTAD, other United Nations agencies and international organizations, to find holistic solutions in order to improve and strengthen resilience, particularly among the most vulnerable economies. The representative of one regional group stressed the need for a critical assessment of international trade agreements that imposed constraints on tariffs and subsidies and limited support mechanisms for particular industrial sectors; and highlighted the promotion of green technology transfer as a key strategy in achieving sustainable development.

¹ Argentina did not align itself with the statement.

B. Optimizing policy space for development strategies: Productive capacities, value addition and economic diversification

(Agenda item 3)

3. In her introductory statement, the Head, Macroeconomic and Development Policies Branch, provided an overview of the issues to be discussed. She detailed the macroeconomic outlook for the global economy and the implications for policy choices and scenarios for development; and highlighted the prevailing structural changes in international trade flows and regimes, as well as shifts in employment in the manufacturing sector and the emergence of increasingly service-centred economic systems in which developing countries were asymmetrically represented. Finally, the Head stressed the increasing reliance on intangible capital in leading and benefiting from global value chains, with the concomitant dynamism in investments in intangible assets compared with those in more traditional tangible assets.

4. Two panel discussions were held to discuss the agenda item.

1. Navigating policy space in investment strategies

5. During the first informal session, the panellists discussed policy space in investment strategies. The panel featured experts from the following entities: Institute for Development of Economics and Finance, Indonesia; National Council for Industrial Development, Brazil; World Intellectual Property Organization; and European Central Bank.

6. The first panellist outlined the investment strategy in Indonesia, to drive sustainable economic growth. Key focus areas included green and blue economies, infrastructure, human capital development and downstream industries, such as the nickel industry, which had expanded since the ban on raw nickel ore exports in 2020. She noted that nickel production in Indonesia was now at the forefront of global production, despite opposition faced at the World Trade Organization, and supported industries such as those for electric vehicle batteries and stainless steel, along with increasing domestic value, job creation and fiscal revenue. Finally, the panellist emphasized that industrial transformation was key in reducing dependency on raw exports while enhancing economic resilience and sustainability, and noted the need for environmentally sustainable policies, innovative financial instruments and investments in renewable energy infrastructure.

7. The second panellist focused on industrialization strategies, highlighting the challenges of deindustrialization and its negative impact on quality of life. She emphasized the need for a modern industrial policy, addressing the reduction of the role of the State in the economy and the difficulty of building a social pact in order to advance democracy. Key aspects included the need for State intervention through financial instruments, such as national development and social banks, and innovation-driven policies with competitive interest rates. Finally, the panellist highlighted public procurement, infrastructure-building and fostering a better business environment as essential tools, as well as foreign trade policy and the role of State-owned companies, to support local industries.

8. The third panellist explored the increasing importance in the global economy of intangible assets, such as research and development, software, data, brands and organizational expertise, which lacked physical form but served as key drivers of innovation, competitiveness and economic growth. Despite their significance, accurately measuring such assets was challenging, leading to undervaluation and policy inefficiencies, and the World Intellectual Property Organization was updating its frameworks in order to better track such assets, aiming to improve data collection and policymaking. Finally, the panellist stated that enhancing intangible asset measurement was crucial in driving productivity, fostering innovation and ensuring sustainable economic growth.

9. The fourth panellist discussed the significant impact of climate change on policy space, emphasizing the threat to macroeconomic and financial stability. Climate change, along with the degradation of nature, limited investment opportunities, particularly in emerging markets and developing economies. The panellist stressed the urgency of the need to address the climate investment gap; Governments, central banks and the international financial system needed to act collectively in order to facilitate this transition. Finally, the

panellist highlighted the importance of carbon pricing, scaling up green finance and fostering public-private collaboration, as well as greening the international financial architecture, through initiatives such as expanding the Green Climate Fund and harmonizing green bond standards, which was essential in mobilizing private investment and effectively mitigating climate risks.

10. During the ensuing discussion, one delegate highlighted the persistent challenges faced in developing countries, such as limited access to affordable financing, dependence on raw material exports, outsized impacts from climate change and limited opportunities in digital transformation; at the same time, current international rules often posed additional challenges, such as limiting the policy space necessary to support sustainable industrialization and economic diversification. Another delegate enquired as to the reasons behind the continued growth in intangible investments during times of crisis, relative to tangible investments. One delegate enquired about some of the key measures that countries dependent on commodity exports could adopt, to reduce the risks related to price volatility and export shocks. Another delegate enquired about the potential impact of the African Continental Free Trade Area on policy space in countries in Africa. One delegate referred to the risk that industrial policy might prioritize large national-champion firms that already had significant market power, while small and medium-sized enterprises, which were key in generating employment and improving quality of life, were often left out. Finally, another delegate emphasized the potential of trade in services and that, in this regard, global actors, such as the World Intellectual Property Organization and the World Trade Organization, could assist developing countries in enhancing their potential.

2. International trade: Optimizing policy space for development

11. The second informal session focused on national experiences in optimizing policy space for trade. The panel featured experts from the following entities: Veblen Institute for Economic Reforms, France; World Trade Organization; The M Group, United States of America; and E-Commerce and Digital Technology Branch, UNCTAD.

12. The first panellist, noting that the European Union accounted for 16 per cent of global trade, stressed that the European Union needed to integrate trade policy with broader goals such as those related to climate protection, biodiversity and human rights. Many environmental regulations affected domestic production and some affected trade. For example, in the European Union, over 900 substances were banned domestically, yet international trade rules were less stringent and needed to be reinforced. The panellist stressed that measures might be unilateral, yet the goal of sustainability was global and, by addressing negative externalities through trade policies, it was possible to protect the environment and consumers and to ensure fair international competition. The panellist stressed the importance of avoiding penalizing small producers in developing countries and ending subsidies for agricultural exports. Trade embedded 25 per cent of global emissions and Group of 20 countries were responsible for 81 per cent of imported emissions; in this regard, the panellist noted that the policy agenda of continued trade liberalization was problematic amid accelerating global warming. Finally, the panellist stated that clarification on non-discrimination at the World Trade Organization was needed, to enable sustainable trade policies, such as under the Agreement on Climate Change, Trade and Sustainability, which was the first trade agreement to define and ban fossil fuel subsidies; and investment protection for fossil fuels needed to be abrogated, as suggested during ongoing dialogues at the Organisation for Economic Co-operation and Development on article 2 of the Paris Agreement.

13. The second panellist underscored the history of discussions on policy space for industrialization. With regard to the Agreement on Trade-Related Investment Measures, developing countries sought flexibilities for development and crisis situations, as well as to authorize local content requirements, to promote industrialization and climate-related goals. With regard to the Agreement on Trade-Related Aspects of Intellectual Property Rights and technology transfer, the Group of 90 at the World Trade Organization had proposed discussing articles 7 and 8, to rebalance intellectual property with other objectives, notably, enabling public authorities to make financial support to the private sector conditional on technology transfer. In addition, with regard to the Agreement on Subsidies and

Countervailing Measures, the panellist noted that developing countries needed to bear in mind the lack of fiscal resources for conducting green industrial policy, to compete with developed economies; however, if developed countries did not use subsidies and left production to market forces, this would ensure business as usual and accelerate climate change. Finally, the panellist stressed that, in this regard, a strategic vision was required.

14. The third panellist highlighted that the increase of intracompany transactions and digitalization disrupted traditional business models, leading to declining tax-to-gross domestic product ratios, which had fallen below 10 per cent in some developing countries. Tax issues were salient in relation to the energy transition in the context of achieving Sustainable Development Goal 7; better tax regulations in the extractives sector could benefit developing countries and subsidies in green sectors needed to be regulated, to avoid complex legal disputes on trade and taxation. Finally, the panellist stated that UNCTAD could leverage customs and tax data, to help strengthen revenue mobilization and facilitate dispute settlement.

15. The fourth panellist presented the findings in *Digital Economy Report 2024: Shaping an Environmentally Sustainable and Inclusive Digital Future*. She emphasized that digitalization strengthened existing patterns of unequal ecological exchange, with developing countries providing most of the material resources and bearing most of the negative ecological and health impacts of electronic waste, while registering limited economic benefits from digitalization. As digital goods generated environmental externalities along all stages of the life cycle (production, use and end-of-life), sustainable development required a move toward a more circular economy and digital sufficiency, to rein in exponential digital consumption growth. Finally, the panellist noted that material and energy-hungry data centres and artificial intelligence technology exacerbated pressures on water, the climate and other planetary boundaries.

16. During the ensuing discussion, one delegate stressed that trade policies should consider environmental and social impacts, to reduce inequality and protect the planet; noted that public debates on trade limits could be hosted at UNCTAD; and enquired whether taxation on electronic transactions had the potential to raise revenue. In this regard, one panellist noted that attempts to impose levies on electronic commerce could generate a backlash from developed countries and that it would be opportune to first ensure that the current moratorium on such taxes was not extended.

II. Organizational matters

A. Election of officers

(Agenda item 1)

17. At its opening plenary meeting on 28 November 2024, the Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation, elected Mr. Tareq Md Ariful Islam (Bangladesh) as its Chair and Ms. Clara Manuela da Luz Delgado Jesus (Cabo Verde) as its Vice-Chair-cum-Rapporteur.

B. Adoption of the agenda and organization of work

(Agenda item 2)

18. Also at its opening plenary meeting on 28 November 2024, the Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation, adopted the provisional agenda for the session (TD/B/C.I/MEM.8/19). The agenda was thus as follows:

1. Election of officers.
2. Adoption of the agenda and organization of work.

3. Optimizing policy space for development strategies: Productive capacities, value addition and economic diversification.
4. Adoption of the report of the meeting.

C. Adoption of the report of the meeting

(Agenda item 4)

19. At its closing plenary meeting on 28 November 2024, the Multi-year Expert Meeting on Enhancing the Enabling Economic Environment at All Levels in Support of Inclusive and Sustainable Development, and the Promotion of Economic Integration and Cooperation, authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report on its seventh session after the conclusion of the meeting.

Annex

Attendance*

1. Representatives of the following States members of the Conference attended the session:

Angola	Morocco
Argentina	Nepal
Bahamas	Niger
Bangladesh	Pakistan
Cabo Verde	Philippines
Cambodia	Russian Federation
China	Spain
Congo	Sri Lanka
Finland	Türkiye
Gambia	Venezuela (Bolivarian Republic of)
Iraq	Zimbabwe
Jamaica	

2. The following intergovernmental organization was represented at the session:

League of Arab States

3. The following specialized agencies and related organizations were represented at the session:

World Intellectual Property Organization

World Trade Organization

4. The following non-governmental organization was represented at the session:

General category

Global Traders Conference

* This attendance list contains registered participants. For the list of participants, see TD/B/C.I/MEM.8/INF.7.