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THE ROLE OF UNCTAD IN ENHANCING GLOBAL TRADE

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ABSTRACT

The biennial UNCTAD World Investment Forum is the most important event of the international investment community and stakeholders.

–Ban ki-moon, the Secretary General of U.N.

International trade in goods and services is integral to poverty alleviation and sustainable development. By fostering global development through expanded trade, international trade contributes to poverty reduction, food security, job creation, gender equality, and environmental sustainability. However, in recent years, there have been indications of unusual and persistent weakness in international trade. The United Nations Conference on Trade and Development (UNCTAD) is a specialized agency of the United Nations, established in 1964 as a permanent intergovernmental body. UNCTAD serves as an intergovernmental platform to facilitate the integration of developing countries into the global economy in a manner that supports their development goals. Its mission, reaffirmed at the thirteenth quadrennial conference in Doha in 2012, is to serve as the primary focal point within the United Nations for trade and development issues, encompassing concerns related to commerce, economics, technology, market access, and sustainable development. This article aims to analyze the role and functions of UNCTAD in emerging global trade and what are the changes that occurred in international after the existence of UNCTAD. This paper concludes with suggestions made in trade and development report of 2024 and also its report on India.

Keywords: *International Trade, Sustainable Development, Global trade, UNCTAD roles and functions.*

INTRODUCTION:

UNCTAD, as a constituent entity of the United Nations Secretariat, is tasked with addressing matters concerning trade, investment, and development. Its inception dates back to 1964 when it was established by the United Nations General Assembly. The aims of the organizations are to: “Maximize developed countries’ trade, investment and growth opportunities and facilitate them in their efforts to incorporate equitably into the global economy.”¹

The United Nations Conference on Trade and Development (UNCTAD) established the **Generalized System of Preferences (GSP)** as a key initiative to promote exports of manufactured goods from developing countries. UNCTAD argued that preferential tariff concessions were necessary to incentivize such exports. In response, developed countries implemented the GSP policy, allowing duty-free or reduced-tariff imports of specific agricultural products from developing countries. This preferential treatment grants developing country producers a competitive advantage compared to their counterparts in developed nations, who face standard duty rates on similar exports.

UNCTAD - A CATALYST FOR TRADE DEVELOPMENT:

UNCTAD, a body representing 194 member states, plays a vital role in addressing developmental challenges, particularly those related to international trade, recognized as a key driver of economic growth. Its work can be summed up in 3 words²: Think Debate and Provide. Its activities also involve research and facilitating negotiations on product transactions, technological development of international trading initiatives targeted at assisting developing nations in trade and capital matters.

EMPIRICAL BACKGROUND:

The United Nations Conference on Trade and Development (UNCTAD) emerged during the decolonization era of the 1960s. This period coincided with the United Nations' intensified focus on implementing the 1960 Declaration on the Granting of Independence to Colonial Countries and Peoples. Established by the UN General Assembly's Special Committee on Decolonization, UNCTAD reflected the aspirations of newly independent nations. They sought a global forum

¹About *UN Trade and Development (UNCTAD)*, UNCTAD <https://unctad.org/about>. (last visited 16th April, 2024).

²Suraj Chowrasia, ShikhaKaramchandani, *Unctad*, (May 13, 2015), <https://www.slideshare.net/slideshow/unctad-1/48105840>. (Last visited 16th April, 2024).

distinct from existing institutions like GATT (General Agreement on Tariffs and Trade), the International Monetary Fund (IMF), and the World Bank (WB) to address their specific economic development challenges. The community of 77 was formed in the context of UNCTAD on 15 June 1964³.

The Group of 77 (G77) emerged as a coalition of developing countries united by the pursuit of equality within the international economic and social order. Their primary focus was on advocating for the priorities of developing nations. Initially, the G77 enjoyed strong support from the United Nations Conference on Trade and Development (UNCTAD). However, UNCTAD's influence within the G77 has waned over time as the group's membership has grown increasingly diverse. The prominent Argentinean economist Raul Prebisch, Leader of the UN Economic Commission for Latin America and the Caribbean, was the first Secretary-General of the organization⁴. It now covers highly disparate countries in terms of their growth rates, economic system and desires. Members vary from middle-income and developing economies like **China, India and Brazil** to the least developed countries like Benin.

STRUCTURE OF UNCTAD:

The quadrennial Conference serves as the primary policy-making body, establishing strategic directives and outlining a work program. Since its inaugural session in Geneva in 1964, UNCTAD has convened fifteen conferences globally, with the most recent one held virtually in Bridgetown, Barbados, in October 2021 due to the COVID-19 pandemic.

During inter-conference periods, the Trade and Development Board, functioning as UNCTAD's executive arm, assumes responsibility for overseeing the organization's ongoing activities.

The UNCTAD Secretariat, staffed by personnel from the broader UN Secretariat, provides critical support by conducting policy research, monitoring and implementing decisions made by intergovernmental bodies, and facilitating technical cooperation and information exchange among member states.

The UNCTAD publishes important reports like:

³Barbara BARONE, *The United Nations and the EU Trade Policy: the case of UNCTAD*, (Jan. 26, 2016), [https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/570461/EXPO_BRI\(2016\)570461_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2016/570461/EXPO_BRI(2016)570461_EN.pdf).

⁴*History*, UNCTAD <https://unctad.org/about/history>. (last visited April 27, 2024)

- Trade and Development Report
- World Development Report
- Information and Economy Report
- Commodities and Development Report
- Technology and Innovation Report⁵

FUNCTIONS OF UNCTAD:

The United Nations Conference on Trade and Development (UNCTAD) employs a multifaceted approach to fostering development in member states: -

Convening Meetings: Organizing gatherings where government representatives engage with experts and share practical experiences to reach collaborative solutions on trade-related issues.

Research and Policy Analysis: Conducting research, analysing policies, and gathering information to support discussions among government officials and experts.

Technical Assistance: Technical assistance is another key component of UNCTAD's work. It provides targeted support to developing countries, particularly the least developed and those in economic transition. This often involves collaboration with other international organizations and donor countries

Recommendations Implementation: Proposing and advocating for effective trade policies and regulations.

UNCTAD's AREAS OF WORK:

The work of UNCTAD is performed by five divisions that deal with distinct macro areas: -

1. INTERNATIONAL TRADE AND COMMODITIES DIVISION:

The United Nations Conference on Trade and Development (UNCTAD) aspires to promote equitable and sustainable development through international trade. It fulfils this mission by providing member states with research, policy guidance, and capacity building initiatives. UNCTAD's work also facilitates the formation of coalitions, promotes public-private partnerships, and advocates for international agreements that enhance trade in goods and services. Furthermore, the organization addresses critical issues related to competition law, consumer

⁵UNCTAD - United Nations Conference on Trade and Development. United Nations Conference on Trade and Development (July 20, 2016), <https://byjus.com/free-ias-prep/united-nations-conference-trade-development-unctad/>.(last visited Apr 26, 2024)

protection, and the intersection of trade with environmental sustainability and climate change.⁶

2. INVESTEMENT AND ENTERPRISE DIVISION:

The Division has established itself as a leading regional centre for addressing sustainable business and enterprise growth concerns. Drawing on decades of experience, the Division's staffs leverage its regional expertise to provide over 150 countries with support in research, policy analysis, consensus-building among governments, and technical assistance.

3. AFRICA LEAST DEVELOPED COUNTRIES AND SPECIAL PROGRAMMES(ALDC) DIVISION:

It seeks to improve awareness of Africa's and the Least Developed Countries (LDCs) development issues, as well as countries with unique geographical impediments, namely Land Locked Developing Countries (LLDCs) and Small Island Developing States (SIDS).

4. GLOBALIZATION INTERDEPENDANCE AND DEVELOPMENT DIVISION:

The United Nations Conference on Trade and Development (UNCTAD) actively participates in the global discourse on globalization's impact on developing countries through its "Policies for Globalization and Growth" initiative. UNCTAD also provides technical assistance to developing nations as they integrate into the international financial system and navigate external debt management.

5. TECHNOLOGY, INNOVATION AND TRADE LOGISTICS DIVISION:

The DTL focuses on strengthening economic growth and productivity in developing nations. Its core activities encompass science, technology, and innovation (STI), export logistics, and human capital development.

UNCTAD AND VOLUNTARY SUSTAINABILITY:

The United Nations Conference on Trade and Development (UNCTAD) encourages developing countries to adopt Voluntary Sustainability Standards (VSS) as a means to access more competitive markets. By adhering to these standards, developing economies can elevate their

⁶Jagran Josh, *United Nations Conference on Trade and Development (UNCTAD): Functions and Working domain*, (Apr. 19, 2016), <https://www.jagranjosh.com/general-knowledge/united-nations-conference-on-trade-and-development-unctad-functions-and-working-domain-1461056464-1>.(last visited Mar 26, 2024)

products' marketability and foster economic growth. UNCTAD posits that VSS adoption can lead to a virtuous cycle, contributing to social development, environmental sustainability, and ultimately, progress towards the Sustainable Development Goals (SDGs).

Voluntary Sustainability Standards are sets of criteria that ensure products are produced with minimal environmental impact and respect for human rights. The proliferation of VSS in recent years reflects a growing global commitment to building a greener economy. These standards can be established by various entities, including independent businesses, industry associations, NGOs, or governments. Increasingly, VSS are designed to balance the interests of diverse stakeholders, encompassing producers, consumers, and environmental groups. While some VSS apply directly to consumer goods, many function within business-to-business interactions. UNCTAD emphasizes the potential of VSS implemented in developed countries to generate significant environmental, economic, and social benefits.

Voluntary Sustainability Standards (VSS) encompass a broad spectrum of considerations. It focuses on

1. Economic sectors such as forestry, livestock, mining or fisheries.
2. Concentrate on environmental factors such as the conservation of water supplies and biodiversity or the reduction of greenhouse gas emissions.
3. Promote social security and the interests of employees.
4. Home in on specific parts of production process.

However, complying with these standards can be a significant hurdle for smallholder farms and small businesses. The perceived complexity and cost of implementation, coupled with a lack of awareness, can hinder their adoption.

It also seeks to,

1. **Enhancing Green Export Capacity:** UNCTAD works with developing countries to improve their capacity to export sustainably produced goods
2. **Fostering Stakeholder Communication:** The organization strives to establish a platform for improved communication and collaboration among stakeholders involved in VSS
3. **Knowledge Sharing and Capacity Building:** UNCTAD equips countries with a deeper understanding of VSS, empowering them to leverage these standards effectively

To achieve these goals, UNCTAD maintains a comprehensive global database of regulatory initiatives related to environmental protection and public health. This database includes details on non-tariff measures (NTMs) such as Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBT). It's important to note that VSS can evolve into mandatory regulations when incorporated into national legislation.

CHANGES IN PATTERNS OF INTERNATIONAL TRADE AFTER UNCTAD:

A. TRADE VALUE:

The world has witnessed a significant shift in international trade patterns in recent decades. Following a period of robust growth fuelled by technological advancements, trade liberalization, and economic expansion, particularly in emerging economies, global trade has experienced a downturn since the 2008-2009 financial crisis. This decline reflects a potential transformation in the mechanisms driving international integration. The global trade-to-GDP ratio, an indicator of economic interdependence, stagnated between 2011 and 2014 before dropping in 2015. While a rebound occurred in 2017, the emergence of the COVID-19 pandemic in 2020 ushered in a period of renewed instability. The initial plunge in global trade during 2020 surpassed even the 2008/2009 crisis. However, a swift reversal followed in 2021 due to rising global demand and surging commodity prices. This upward trend continued in 2022, reaching record highs, before tapering off in the latter half of the year as geopolitical tensions and economic uncertainties intensified. By 2023, global trade had entered a new phase characterized by a significant decline compared to the 2022 peak

In value terms, global trade in goods and services rebounded to about US\$ 28 trillion in 2021 from the lows of the COVID-19 pandemic and further grew to about US\$ 32 trillion in 2022. The value of international trade is expected to moderately decline to around US\$ 31 trillion in 2023, driven by lower global demand, particularly for goods.⁷

B. DEVELOPING COUNTRIES:

The impressive growth trajectory of global trade observed in the 1990s and 2000s, following the challenging "lost decade" of the 1980s, was largely attributed to the gradual integration of

⁷Key Statistics and Trends in International Trade 2023, (Mar.27, 2024), https://unctad.org/system/files/official-document/ditctab2024d1_en.pdf, (last visited on April 19,2024)

developing countries into the global economic system. During this period (1990-2008), developing country exports witnessed an average annual growth rate of nearly 11%. Consequently, they captured a progressively larger share of global trade throughout most of the 1990s and 2000s. The value share of developing countries in global merchandise trade increased from less than 30% in 1990 to nearly 50% in 2015. Developing countries today account for around one-third of world trade in services, down from fewer than **20% in 1990**. Nevertheless, since 2012, both in terms of products and services, the catch-up cycle of developed countries about export development has effectively stalled. Since then, emerging countries' trading practices have adopted a parallel trend to developed countries.⁸

C. LEAST DEVELOPED COUNTRIES:

Foreign trading imbalance has major consequences for the incorporation of developing countries into the world economy. Although the share of LDCs in global exports of merchandise rose steadily before 2008, it hit a plateau of about 1.2 percent in the years that followed. However, the weak integration of LDCs into the global economy is not only due to their comparatively small economies, as well as to the fact that LDCs generally trade well below the size of their economy. This decreased involvement illustrates the production challenges encountered by LDCs as they diversify outside of raw materials and the high exchange costs that their manufacturing products have to tackle to stay successful in the global market given low labour costs. In the context of services, which constitute an increasing share of these countries' GDP but are significantly underrepresented in their exports, the problem is much greater.

The export-to-GDP rates of LDCs are about 25 percent on average, significantly below the level of about 35 percent for developed countries. More specifically, since 2011, the LDC export-to-GDP ratios have been on a strong downward slope, indicating that many LDCs tend to fail to survive in the global economy. These developments have clear consequences for the 2030 Global Growth Plan, the Sustainable Development Targets and the 2011–2020 Decade Intervention System for the Least Developed Countries.⁹

⁸*Evolution of the international trading system and its trends from a development perspective*, (July 3, 2017), <https://unctad.org/system/files/official-document/tdb64d5en.pdf>, (last visited April 24, 2024).

⁹ibid

UNCTAD's REPORT ON TRADE AND DEVELOPMENT 2024:

The report suggests structural reforms and coordinated global actions, advocating for a comprehensive strategy. This strategy encompasses both supply-side policies aimed at enhancing investment and demand-side measures to elevate employment and income levels.

UNCTAD latest projections point to global growth of 2.6 percent in 2024, slightly slower than in 2023. This makes 2024 the third consecutive year in which the global economy will grow at a slower pace than before the pandemic, when the average rate for 2015–2019 was 3.2 percent.¹⁰

UNCTAD REPORT ON INDIA:

India experienced a 6.7 percent economic growth in 2023, with projections indicating a slightly lower expansion of 6.5 percent in 2024. The growth in 2023 was propelled by significant public investment and the resilience of the services sector, benefiting from strong domestic demand for consumer services and steady external demand for the country's business services exports. It is expected that the Reserve Bank of India will maintain interest rates at their current levels in the short run. Any limitations in public consumption spending are expected to be counterbalanced by robust public investment expenditures.

It is also reported that “In the outlook, an increasing trend of multinationals extending their manufacturing processes into India to diversify their supply chains will also have a positive impact on Indian exports, while moderating commodity prices will be beneficial to the country’s import bill.”¹¹

CONCLUSION AND SUGGESTIONS:

Developing countries and countries with economies in flux will continue to address major threats in the area of trade and development over the following years, particularly those resulting from existing and new issues. Moreover, they will continue to need legislative guidance, and will continue to require assistance for capacity development.

As the focal point of the United Nations in this field, and as an organ of the General Assembly, UNCTAD has to play a leading role in resolving these challenges. Around the same period, the

¹⁰*Trade and Development Update (April 2024)*, https://unctad.org/system/files/official-document/gdsinf2024d1_en.pdf. (last visited April 16, 2024)

¹¹ibid

General Assembly will insure that UNCTAD is protected from the unnecessary "mandate of creeping"¹². Trade policies should be structured in such a way that exchange not only brings economic prosperity but also equitable and sustainable development. Because trade cannot address all development problems alone, it should be strongly synchronized with other foreign programs, such as those on labour, health and the environment initiated by the Foreign Labour Organisation, the World Health Organisation and the United Nations Environment Programme, respectively; and those of other international organisations and the United Nations agencies.

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¹² Report of the secretary general of UNCTAD to UNCTAD XII “Globalization for Development: Opportunities and Challenges.

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