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**DRAFT REPORT OF THE COMMISSION ON TRADE IN GOODS AND SERVICES
AND COMMODITIES ON ITS SIXTH SESSION**

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Speakers:

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Chief, Trade, Environment and
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Chair of the Expert Meeting
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Spain for the EU
Kenya for the African Group

Saudi Arabia
Equatorial Guinea
Venezuela
Mauritius
Common Fund for Commodities
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Paraguay

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
Requests for amendments to statements by individual delegations should be communicated
by **Wednesday, 13 February 2002** at the latest, to:
UNCTAD Editorial Section, Room E.8108, fax no. 907 0056, tel. no. 907 5656/1066.

THE SUSTAINABLE USE OF BIOLOGICAL RESOURCES: WAYS TO ENHANCE THE PRODUCTION AND EXPORT CAPACITIES OF DEVELOPING COUNTRIES OF AGRICULTURE AND FOOD PRODUCTS, INCLUDING NICHE PRODUCTS, SUCH AS ENVIRONMENTALLY PREFERABLE PRODUCTS (EPPS)

1. For its consideration of this item, the Commission had before it the following documentation:

“Report of the Expert Meeting on Ways to Enhance the Production and Export Capacities of Developing Countries of Agriculture and Food Products, including Niche Products, such as Environmentally Preferable Products” (TD/B/COM.1/41);

“Note by the UNCTAD secretariat” (TD/B/COM.1/45);

2. The **Officer-in-Charge of the Commodities Branch, Division on International Trade in Goods and Services (DITC)**, recalled that experts had drawn attention to the relatively unsuccessful performance of developing countries, with some notable exceptions, in world agricultural markets over the last 30 years. There had been increasing import penetration of developing countries, in particular by developed country producers, and this had led to a significant deterioration of the trade balance of developing countries as regards agricultural commodities, including food products. Regarding the preconditions for enhancing production and in particular export capacities of developing countries in respect of agriculture and food products, the removal of trade barriers in importing countries, such as high tariffs, quota restrictions, tariff escalation and in particular subsidies, was a crucial step. Even with complete liberalization, however, success in international trade was not assured. A multitude of other measures and strategies needed to be implemented by Governments and the business sector, with the assistance of the international community. These measures and strategies were needed because even when “market access” was provided, there still remained problems linked to “market entry” and various supply side constraints. Concerning the assistance of the international community, official development assistance to the agricultural sector had been on a declining trend over the last 20 years.

3. Recent changes in market structures had led to a number of production and export constraints for developing countries. In those countries, the liberalization of the agricultural sector had led to a more important role for foreign companies, enhanced competition from imported products and increased price risk exposure for small farmers and local companies. At the international level, the growing concentration of trade and increased emphasis on product quality, brands and marketing, which reduced the importance of cost differentials, made it difficult for many low-cost developing country producers to access developed country markets. A declining share of value added of developing country producers had also been observed in food retail prices. The changing concept of product quality, which included production, processing and logistics, food safety concerns and environmental requirements, as well as branding, and the related prime importance of information and linkages with buyers, were considered serious constraints for many developing country producers and exporters. These constraints were reinforced by limited technical and managerial skills, expensive and inadequately supplied inputs, and lack of finance.

4. The experts had recommended a multitude of policies and actions that could focus on support for the production of high-value-added products, improvements in quality and better participation in global value chains, as well as a proactive role for Governments. Apart from liberalization of agricultural trade, recommendations to the international community called for technical and financial assistance, in particular for meeting standards and quality requirements and for improving research and extension services.

5. A rich list of ideas had been drawn up for UNCTAD's work. It included requests for pilot projects to assist in the design and execution of diversification programmes and innovative financing schemes, and capacity building workshops focusing on selected product groups. These recommendations were in full concurrence with the results of the six regional workshops organized in 2001 under a project on diversification and commodity-based development. In this context, and in response to requests from interested countries, eight national capacity building workshops on agricultural exports and development linkages were being organized for the first half of 2002, and extrabudgetary resources were being sought for a fuller implementation of the recommendations made at the regional workshops.

6. The **Chief of the Trade, Environment and Development Section** said that, on the issue of "niche markets, such as environmentally preferable products", experts had paid considerable attention to trading opportunities for organic agricultural products. The meeting had brought together an excellent group of experts who had engaged in intensive discussions and had made significant recommendations.

7. Experts had noted that growing demand for organic food products in international markets could create trading opportunities for developing countries, as well as bringing other benefits. The market for organic products was still relatively small, but growing rapidly. The International Trade Centre (WTO/UNCTAD) had estimated that organic markets in developed countries had amounted to US\$ 17.5 billion in 2000. Experts had also highlighted the fact that developing countries had to compete in markets with stringent quality requirements, increasing pressure for subsidies and other support measures, uncertain price premiums and preferences for locally-produced food.

8. To seize trading opportunities for organic agricultural products from developing countries, several production and export constraints needed to be overcome. In addition to general production and export constraints facing the agricultural sector in developing countries, producers and exporters of organic agricultural products faced an array of specific constraints relating to production, government policies, infrastructure, transport and handling, market information, and certification.

9. Certified organic farming might be hindered, for instance, by lack of awareness of organic farming systems; managerial costs; risks of shifting to new farming methods; lack of infrastructure; lack of marketing facilities; limited access to capital; and inability to capture economies of scale. A number of experts had noted that the very large number of standards set by governmental and private bodies, divergent certification requirements, and complex import procedures could create certain difficulties for organic producers in developing countries, in particular smallholders.

10. In addition, limited market information and marketing channels could hamper exports of certified organic products. In the expert meeting, several cases had been reported where certified products from developing countries had to be sold as conventional products. With regard to certification, smallholders in developing countries could not afford the cost of regular inspection and certification. Any certification scheme should therefore include the possibility of smallholder group certification.

11. While recognizing these constraints, experts had recommended proactive approaches to organic agriculture, which had the potential for producing economic, social and developmental benefits for developing countries. Some experts had observed that whereas yields under organic management might be lower than when fertilizers were applied, they tended to be higher than under traditional management practices. Thus, organic agriculture offered opportunities, affordable to small-scale farmers, to improve farm efficiency and profitability.

12. Experts had emphasized the importance of well-defined policies, including institutional support and export promotion, to strengthen developing countries' production and export capacities. Developing countries also needed access to international markets for organic products to seize the potential benefits of organic produce. Experts had made several recommendations to the international community, including, for example, assistance to developing countries in designing national and regional organic standards; transparent and simple rules governing imports of organic products; technical assistance; and incentives to support the development of organic production systems in developing countries. Experts had also made recommendations aimed at reducing costs of certification of organic producers in developing countries.

13. In cooperation with ITC, FAO, the International Federation of Organic Agriculture Movements (IFOAM), UNEP and other relevant institutions, UNCTAD could assist developing countries in deriving trade, environmental and developmental benefits from growing markets for *inter alia* organic products, non-wood forest products and other environmentally preferable products.

14. He announced a number of events. First, UNCTAD was co-operating with IFOAM and the FAO secretariat in the organization of an International Conference on Standards and Certification Requirements for Organic Produce in Nuremberg on 18 and 19 February 2002. In this context, experts had recommended the development of an international system for harmonization, mutual recognition, and equivalence in organic agriculture as a means of greatly enhance developing countries' production and export possibilities. Second, under the UNEP-UNCTAD Capacity-Building Task Force on Trade, Environment and Development (CBTF), a workshop would be held in Brussels (21 and 22 February 2002) to discuss, among other things, options to enhance production capacities in interested developing countries and promote trading opportunities for these products in international markets. UNCTAD was grateful to the European Commission (DG Environment) for providing financial support and to the ACP secretariat for hosting this workshop in its premises.

15. The representative of **Kenya**, speaking in his capacity as **Chairperson of the Expert Meeting**, presented the outcome of the meeting. Participants in the expert meeting had included policy-makers, non-governmental organizations, academics, the business community (including certification bodies and producer organizations), international organizations and IFOAM.

16. The Experts had made comprehensive recommendations at the national level, to the international community and to UNCTAD. She hoped that the Commission would be able to turn them into agreed recommendations.

17. Agriculture was the economic mainstay of most developing countries. Not only did it provide the livelihood for the bulk of the population, but it was also the principal source of savings and foreign exchange needed for development. More than two and a half billion people, most of them living in developing countries, depended on primary commodities, particularly agricultural commodities, for their livelihoods.

18. However, the share of developing countries in traditional commodities markets had declined by about a fifth since the early 1970s. Only a few developing countries had benefited from the growth in high-value-added products, such as vegetable oils, vegetables, fish, cut flowers and poultry.

19. The experts had pointed out that Governments should take genuine measures to support the development of the agriculture sector, in particular the production of dynamic products. Recommendations had therefore been made for a supportive international trading system aimed at defending national and business interests strongly at the World Trade Organization and providing support to the agriculture sector.

20. With regard to economic and institutional recommendations, the experts had emphasized the importance of fiscal and other measures, such as attracting investment and technologies into new areas and putting in place legal and institutional structures for new forms of finance.

21. The experts had also made a large set of recommendations on enhancing production and trading opportunities for environmentally preferable products, in particular organic agricultural products. Experts were well aware that organic agricultural markets were still small and in most countries represented less than 2 per cent of total demand for food products. There was, however, a large convergence of views on the potential economic, social and developmental benefits of organic agriculture. At the same time, experts pointed to many production, export and institutional constraints that needed to be overcome and made a number of recommendations to that end.

22. With regard to recommendations at the national level, experts had emphasized the importance of well-defined policies. Governments should put in place supportive policies and play a proactive role. Recommendations in the areas of awareness-raising, standards and certification infrastructure, incentives, scientific and technical support and market development were very useful to UNCTAD member States.

23. Experts had also made recommendations to the international community to support the efforts of developing countries to derive economic, social and environmental benefits from organic agriculture and trade. Many experts had emphasized that access to markets for food products, including organic products, was of key importance for developing countries' exporters. They had made useful recommendations aimed at reducing costs of certification of organic producers in developing countries, in particular by setting up local certification systems, promoting smallholder certification, and reducing the costs of international accreditation for certifiers in developing countries.

24. Finally, the experts had recommended that UNCTAD, in cooperation with ITC, FAO, IFOAM, UNEP and other relevant institutions, should contribute to the development of the supply capacity of developing countries and assist them in taking advantage of growing markets for, among other things, organic products and non-wood forest products. She noted with satisfaction that the secretariat, through its work on trade, environment and development, as well as on commodities, had been actively involved in facilitating actions aimed at assisting developing countries in overcoming constraints and deriving greater benefits from growing markets for organic agricultural products.

25. The representative of **Sri Lanka**, speaking on behalf of the **Asian Group and China**, noted that growing demand for organic agricultural products, as indicated by the experts, might create trading opportunities, including for developing countries. These opportunities, however, should be assessed in the perspective of broader market dynamics. First, the current size of the organic agricultural sector was small. Second, products from developing countries needed to compete in markets with stringent quality requirements, increasing pressure for subsidies and other support measures, uncertain price premiums and preferences for locally produced food. Additionally, several production and export constraints remained to be addressed.

26. To obtain a larger share of price premiums, producers and exporters in developing countries needed to design appropriate marketing strategies, seek more direct links with retailers in importing countries, including through e-commerce, and create partnerships.

27. In Asian developing countries, certified organic agricultural production was still very limited. However, significant shares of agricultural land were under traditional or "alternative" production methods. Such areas could be converted to certified agriculture, provided that markets were available and certification costs could be kept low. This, however, required policies at the national and multilateral levels.

28. A workshop on the issue of poverty and agricultural exports had taken place in 2001 in Bangkok, organized by UNCTAD in the context of the project on diversification and commodity-based development. A number of recommendations emerging from that workshop coincided with the recommendations of the expert meeting.

29. She emphasized the importance, both in WTO negotiations and in the formulation of assistance programmes, of taking into account the role of agriculture in providing food security and employment and in alleviating poverty in developing countries. She also

welcomed UNCTAD's efforts in assisting developing countries to participate effectively in the post-Doha process.

30. The Asian Group and China endorsed the recommendations by the expert meeting and expected UNCTAD to play a key role in ensuring their appropriate implementation by giving them attention in UNCTAD technical cooperation programmes and ensuring appropriate follow-up.

31. She also urged the international community to give careful attention to the experts' recommendations. Developed countries could implement several measures to promote imports of organic products from developing countries. First, they could provide information on organic standards and regulations, market opportunities and other factors relevant to exporters from developing countries. Second, multilateral and bilateral donors, as well as import promotion agencies, could provide technical assistance. Third, access to their organic food markets could be made easier through simplified requirements and procedures for products from developing countries and enhanced application of the concept of equivalence between national organic standards.

32. Her Group supported the recommendations aimed at reducing costs of certification of organic producers in developing countries by (a) setting up local certification systems, (b) promoting smallholder certification, and (c) reducing the costs of international accreditation for certifiers in developing countries.

33. The Asian Group and China welcomed the secretariat's efforts to assist developing countries and highlighted projects in India and Viet Nam. She strongly supported UNCTAD's national and regional capacity building projects, including in the framework of the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF).

34. The representative of **Spain**, speaking on behalf of the **European Union**, fully supported most of the recommendations made by the experts. The European Community pursued a policy of unilateral support for agriculture and trade in agricultural products from developing countries. This policy translated into measures such as the GSP (renewed at the end of 2001) and agreements with ACP countries, as well as new measures such as the Everything But Arms (EBA) Initiative on market access for LDCs.

35. The EU was in favour of enhancing production of and trade in environmentally preferable products, in line with increased awareness of the need to protect the environment. The EU also sought to enhance production and trade in organic products. He welcomed the Ministerial Decision adopted in Doha to negotiate the reduction or elimination of tariff and non-tariff barriers to environmental goods and services. This would result in new trading opportunities that developing countries should seek to seize. This issue should be appropriately addressed in UNCTAD's work programme.

36. The representative of **Kenya**, speaking on behalf of the **African Group**, emphasized the importance of agriculture for African countries, where it contributed more than 30 per

cent of GDP and employed an overwhelming majority of the workforce. His Group considered that reversing trends such as the stagnation in agricultural trade, the decline of commodity prices and the decline in the share of developing countries in commodity exports was fundamental to the economic development of Africa. He also underlined that it was important for African countries to diversify into products with dynamic market trends and to add value to their agricultural exports. International cooperation was needed to put in place measures aimed at creating an equilibrium between supply and demand on a long-term basis.

37. Referring to workshops organized in Africa in the context of the project on diversification and commodity-based development, he pointed out that many of the recommendations of these workshops coincided with those of the expert meeting and hoped that UNCTAD would give appropriate attention to these recommendations in formulating technical assistance programmes.

38. He recalled that the full impact of preferential market access opportunities enjoyed by African countries had not been felt, and he referred to supply-side problems such as those emanating from poor infrastructure, inefficient service delivery, high borrowing costs and insufficient research and development. High protection for agriculture in many developed countries, for example through tariff peaks, quota restrictions, tariff escalation and non-tariff barriers, including sanitary and standards requirements, restrictive rules of origin and complex supply chains, had had a negative impact on world agricultural markets, and this impinged directly on the welfare of the poor in low-income countries.

39. The bulk of production in many African countries came from resource-poor farmers, but the need to produce large quantities and the high costs of certification by international certifying bodies presented major obstacles to realizing the full benefits of organic production. Consolidating production and supply and addressing the issue of high certification costs therefore represented important challenges. The African Group appreciated the efforts of the UNCTAD secretariat to enhance production and trading opportunities for organic products from developing countries and hoped to benefit from technical cooperation and capacity building activities recommended by the experts.

40. The representative of **Saudi Arabia** said that the Ministry of Agriculture in his country was implementing a national organic agriculture programme, and his country had benefited greatly from the experience offered by Costa Rica at the expert meeting. The idea behind the programme was to increase consumer confidence in products that did not contain chemicals, but no decision had been taken regarding certification. He welcomed the role of UNCTAD in promoting production and exports of environmentally preferable products. He also stressed the importance of food safety.

41. The representative of **Equatorial Guinea** said that his country was seeking actively to enhance export capacity of agricultural and food products. With the support of FAO, it had set up a special programme for food security (PESA - *Programa Especial para la Seguridad Alimentaria*) and a National Conference for Rural Development and Food Security. A South-South co-operation agreement had been signed to allow technical collaboration with Cuban

experts. However, additional support was needed, and he hoped that his country would benefit from the technical assistance programme presented by UNCTAD

42. The representative of **Venezuela** said that the exchange of ideas at the expert meeting had been very fruitful. It was a matter of concern that developing countries had lost shares in the international markets for agricultural products, and that trend ought to be reversed. She supported in particular paragraphs 7 and 8 of the summary of the Chairperson of the expert meeting. Venezuela supported the recommendations to the international community and to UNCTAD, especially those relative to: (a) the elimination of protectionist barriers to trade; (b) support for producers in understanding and complying with standards; (c) financial and technical support for research; (d) assistance for developing countries in building capacities for the development of national and regional standards for environmentally preferable products; and (e) conducting market studies on aspects such as certification and quality norms. Particular attention should be paid to reducing costs of certification, especially for small producers. Urgent action was required to harmonize standards and rules related to organic agriculture. UNCTAD, in particular, should continue to strengthen the capacities of developing countries in these areas. It should continue its work on organic standards and promote studies on ways and means to reduce certification costs and create more economical systems of certification.

43. The representative of **Mauritius** highlighted the fact that his country faced the problems of single commodity exporters (SCEs), whose agricultural production and exports depended significantly on one or two commodities. Whilst some of these SCEs had the necessary conditions to diversify their agricultural production, the possibilities of a number of SCEs were severely constrained for reasons related to size, topography and agro-climatic conditions. The situations of SCEs should therefore be addressed from their particular perspective.

44. The representative of the **Common Fund for Commodities (CFC)** said that the CFC had recently cooperated with UNCTAD in several fields. With regard to the sustainable use of biological resources and how to enhance production and export capacity of developing countries in this area, two projects were being financed by the CFC with the aim of enhancing the production and export capacities of developing countries with due account of environmental considerations. One project, entitled “Sustainable Use of Reforestation of Amazon Forest by Indigenous Communities”, was designed to promote the participation of indigenous communities of Peru’s Selva Central in sustaining their forest productive systems. Another project, entitled “Small-Scale Cassava Processing and Vertical Integration of the Cassava Sub-Sector in Southern and Eastern Africa (Phase I)”, sought to develop the income-generating potential of cassava as a cash crop in Southern and Eastern Africa, especially Uganda, the United Republic of Tanzania, Zambia, Mozambique and Madagascar. Finally, a “Workshop on Organic Sugar” had been held in co-operation with the International Sugar Organization.

45. The representative of **Malaysia** welcomed the results of the expert meeting and said that there were basically two levels of problems: the national level and the international level. Developing countries stood to benefit from full implementation of the experts’

recommendations, though she recognized that certain recommendations might be difficult to implement. She appreciated UNCTAD's assistance in negotiations on agriculture. UNCTAD assistance in the area of statistics on market access commitments would also be very useful.

46. The representative of **Paraguay** supported the statements of Venezuela and Malaysia on the role that UNCTAD should play with respect to experts' recommendations. He drew particular attention to paragraph 3 of the chairperson's summary concerning the declining share of developing countries in traditional commodity markets and the possible link with subsidies. UNCTAD should reflect which measures it should take to support countries wishing to enter international agricultural markets successfully. His country had experienced difficulties in entering the world market for milk and dairy products because of large subsidies by developed countries.