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

4-8 February 2002

Rapporteur: Ms. Fatima Al-Ghazali (Oman)

Speakers:

Representative of the UNCTAD secretariat
Finland
Paraguay for the Latin American and
Caribbean Group

Sri Lanka for the Asian Group and China
Spain for the EU
South Africa for the African Group
Venezuela

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.

**ANALYSIS OF WAYS TO ENHANCE THE CONTRIBUTION OF SPECIFIC
SERVICES SECTORS TO THE DEVELOPMENT PERSPECTIVES OF
DEVELOPING COUNTRIES: ENERGY SERVICES IN INTERNATIONAL TRADE:
DEVELOPMENT IMPLICATIONS**

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

“Report of the Expert Meeting on Energy Services in International Trade: Development Implications” (TD/B/COM.1/42).

“Note by the UNCTAD secretariat” (TD/B/COM.1/46).

2. The **representative of the UNCTAD secretariat**, introducing the report of the expert meeting, noted that the meeting had been very well attended (110 participants representing around 50 member States and a large number of intergovernmental organizations) and that the debate had been lively and interesting. It had been the first international gathering on the specific issue of trade in energy services and had provided an occasion for the trade and energy communities to meet. Experts had tried to answer three main questions: how the strengthening of the energy services sector could contribute to better access to energy; how to enhance the competitiveness of developing countries in the world market for energy services; and how to negotiate commitments supportive of these objectives. Discussion during the meeting had been organized around three main themes. Under the first theme – sectoral markets for energy and energy services – experts had discussed the new features of the energy sector and how the changes in the sector had led to the emergence of international trade in energy services. Under the second theme – energy services in the GATS and the debate at the WTO – the negotiating proposals on energy services tabled at the WTO in the framework of the ongoing negotiations had been presented, and the experts had addressed in particular the issues of classification of energy services and the possible need to negotiate an additional legal instrument for the sector in recognition of its peculiarities and development implications. Under the third theme – implications for developing countries – the main issues raised included that of “energy poverty”, the link between energy and development and how further liberalization of energy services could help in addressing the problem of access to energy, especially in developing countries. The UNCTAD secretariat had already taken some of the initiatives recommended by the experts in the outcome of the meeting; a joint work programme with OPEC was about to start, UNCTAD was in touch with ESCWA to follow-up on the proposal to organize a seminar in Beirut to continue the discussion on energy services started at the expert meeting, and a book containing the papers presented at the expert meeting would be published before the summer of 2002.

3. The representative of **Finland**, speaking in her capacity as Vice-Chairperson of the expert meeting on energy services, said that the expert meeting had been interesting and well organized, thanks to the efforts made by the UNCTAD secretariat, and that it had been a good learning experience for all the participants. The outcome of the meeting reflected the various views expressed and indicated areas for further analytical work and follow-up actions by UNCTAD. It was the responsibility of the Trade Commission to select the priority areas

where the UNCTAD secretariat should carry out additional work. Considering that the GATS negotiations had a very tight schedule, the availability of new analytical material on trade in energy services and its dissemination would be a welcome contribution on the part of UNCTAD. The services negotiations were extremely complex, and all countries needed to get a good understanding of the issues at stake to be able to take sound negotiating positions. The work UNCTAD was carrying out on energy services represented a very useful contribution to the analysis of an emerging and complex services sector.

4. The representative of **Paraguay**, speaking on behalf of the **Latin American and Caribbean Group**, stressed that energy services were very important for Latin American countries, many of which had participated actively in the successful expert meeting on energy services held in July 2001. Paraguay, in particular, was the world's top exporter of electric power, thanks to large investments in infrastructure made in the past. His country's successful experience, along with other innovative experiences in promoting investment in the energy sector, should be the object of further studies by UNCTAD. He urged the UNCTAD secretariat to continue its analytical and capacity building work in the area of energy services.

5. The representative of **Sri Lanka**, speaking on behalf of the **Asian Group and China**, highlighted the seriousness of the problems faced by the countries in the region in the domain of energy. Urban areas in China, for instance, lost 20 per cent of their potential economic output due to the impact on human health of hazardous energy use. In India, a country of 1 billion people, nearly one-third of the population below the poverty line had no access to commercial energy. Energy had a double dimension for the countries of the region. On the one hand, energy availability was a necessary enabling condition for human and economic development. On the other hand, energy-related economic activities represented a very large business opportunity in themselves. Among the issues to be addressed in the negotiations on energy services, particular attention should be devoted to classification problems (the existing classification was inadequate, while a more precise one would facilitate the scheduling of meaningful commitments) and to the possibility of attaching conditions to liberalization commitments that would take care of the development needs of developing countries. UNCTAD, after the successful experience of the expert meeting on energy services, should continue providing analytical contributions and technical assistance to developing countries in the area of trade, energy and development.

6. The representative of **Spain**, speaking on behalf of the **European Union**, noted that, in view of the important role of foreign investment in the energy sector, it was necessary to promote measures to create a favourable environment to attract national and foreign investors. Such investments would facilitate wider access to energy for people and industry. He recommended the inclusion of the following principles in strategies for the energy sector: enacting proper regulations to facilitate the generation and distribution of energy; taking measures to increase the competitiveness of energy services suppliers, especially in developing countries, and fostering networks of SMEs; promoting the creation of strategic alliances between large firms and SMEs and between domestic and foreign firms; allowing the temporary admission of specialized energy equipment; promoting greater use of renewable energies, especially to address the problem of energy scarcity in rural areas; and increasing cooperation among the stakeholders and agencies involved in energy services,

both on a North-South and on a South-South basis. He recommended that UNCTAD contribute to the analysis of the negotiating proposals submitted to the WTO in the framework of the ongoing services negotiations and explore the interest of other relevant international organizations in cooperating with UNCTAD in carrying out studies and capacity building activities in the energy sector.

7. The representative of **South Africa**, speaking on behalf of the **African Group**, said that the expert meeting on energy services had highlighted the challenges faced by developing countries in striving to ensure greater access to energy for the population at large and for industry. African countries were trying to strengthen their energy systems in order to improve their standard of living and foster sustainable development in the framework of the NEPAD (New Partnership for Africa's Development) strategy, which had set the goal of increasing reliable and affordable access to commercial energy from 10 to 35 per cent or more within 20 years. Many countries in Africa had implemented some stages of regulatory reform of the energy sector, but in most markets competition was still lacking. Experience, however, appeared to show that the results of utilities liberalization were mixed. This experience could be studied. The African Group particularly welcomed the proposal for a compilation and analysis of a list of successful experiences in the energy sector from the investment, technology, enterprise development and other points of view, which could teach interesting lessons with respect to the key objective of increasing the competitiveness of energy services among suppliers in developing countries. With respect to the ongoing services negotiations, the focus should be on: how to design liberalization programmes that were appropriate and compatible with each country's specific circumstances and development objectives; how to define negotiating objectives to defend the interests of energy services exporters; and how to ensure positive synergies between regional and multilateral negotiations. The African Group therefore strongly supported the experts' suggestion that UNCTAD should deepen and widen the analysis of successful reform experiences and other issues related to energy policies in order to upgrade developing countries' understanding of the issues and their negotiating capacities in the current GATS round.

8. The representative of **Venezuela** emphasized that the expert meeting on energy services had been a most useful experience. Venezuela believed that multilateral trade negotiations should be conducted from a broader perspective, and not just a narrowly commercial one, taking into account development needs. UNCTAD should follow the recommendations of the expert meeting; in particular, it should further analyse successful experiences of developed and developing countries in the energy sector from the investment, technology, enterprise development and other viewpoints; study national experiences with structural reform of the energy sector and potential difficulties and opportunities for domestic suppliers resulting from it; and support developing countries in examining negotiating proposals on services and in preparing their own offers. Expert meetings should not be ad hoc events, but should generate follow up activities. UNCTAD had acquired a great amount of expertise in the area of energy services, and this expertise should be the basis for further work in the area. Venezuela expressed appreciation for the initiative taken by the UNCTAD secretariat to establish a joint work programme with OPEC - as suggested by the experts during the expert meeting - and to follow up on the offer made by ESCWA to organize a

meeting in Beirut to address in more detail some of the issues discussed at the expert meeting.

ORGANIZATIONAL MATTERS

A. Opening of the session

9. The sixth session of the Commission on Trade in Goods and Services, and Commodities was held at the Palais des Nations, Geneva, from 4 to 8 February 2002. The session was opened on 4 February 2002 by Mr. Boniface G. Britto Chidyausiku (Zimbabwe), President of the Commission at its fifth session.

B. Election of officers

10. At its opening plenary meeting, on 4 February 2001, the Commission elected its Bureau as follows:

President:	Mr. Martti Isoaro (Finland)
Vice-Presidents:	Mr. Anel Enrique Béliz (Panama) Ms. Woinshet Tadesse w/Giorgis (Ethiopia) Mr. Toufiq Ali (Bangladesh) Mr. Ludmil Kotetzov (Bulgaria) Mr. Stefano Lazzarotto (Switzerland)
Rapporteur:	Ms. Fatima Al-Ghazali (Oman)

C. Adoption of the agenda and organization of work

11. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.1/44, as orally amended. Accordingly, the agenda for the sixth session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. 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)
4. Analysis of ways to enhance the contribution of specific services sectors to the development perspectives of developing countries: Energy services in international trade: development implications
5. Analysis of market access issues facing developing countries: Consumer interests, competitiveness, competition and development

6. Progress report on the implementation of agreed conclusions and recommendations of the Commission
7. Implications for the work of the Commission following the Doha Ministerial Conference and related capacity-building and technical cooperation activities of UNCTAD
8. Provisional agenda for the seventh session of the Commission
9. Other business
10. Adoption of the report of the Commission to the Trade and Development Board.