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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:

Secretary-General of UNCTAD
Sri Lanka for the Asian Group and China
Bangladesh for the LDCs
Spain for the EU
European Community
Uganda for the African Group
Paraguay for the Latin American and
Caribbean Group

Paraguay
China
Bolivia
Dominican Republic
Burundi
Egypt for the G77 and China

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.

INTRODUCTION

Opening statements

1. The **Secretary-General of UNCTAD** said that, in assessing of the outcome of the WTO Ministerial Conference at Doha, two elements of the post-Doha Work Programme should be specially considered: first of all, the issues put forward by developing countries during the preparations for the Seattle Ministerial Conference were still on the table and could be part of the eventual single undertaking. Secondly, progress had to be obtained in respect of the main interests of developing countries before the next WTO Ministerial Conference.

2. References to special and differential (S&D) treatment in favour of developing countries permeated the Ministerial Declaration, and a provision to consider the binding of S&D measures was also included in it. This approach reversed the trend whereby the concept of S&D had been considered obsolete. Mandates on the least developed countries (LDCs) and small economies were included as horizontal issues of the post-Doha negotiations. In that connection, the trade component of the results of the Third United Nations Conference on the Least Developed Countries must be implemented, and appropriate consideration must be given to the issues raised at the Zanzibar Ministerial Conference.

3. Concerning the implementation of the Uruguay Round Agreements, developing countries had been able to achieve the inclusion of the related issues in the Doha package, and some concrete results could be expected in this field in the course of 2002. Developing countries had also obtained a positive result with the Ministerial Declaration on the TRIPS Agreement and public health, and this represented a first step towards ensuring that the multilateral trade agreements were not applied in a manner that neglected basic social needs. Developing countries would hopefully be able to include in the TRIPS negotiations issues of interest to them, such as the protection of traditional knowledge and biodiversity. An additional positive result of the Doha Conference had been the approval of the waiver for the negotiations between the ACP countries and the European Union. Other positive results for developing countries included the establishment of two new WTO working groups, one on trade, debt and finance, and the other on transfer of technology. These groups would help in considering the linkages between trade rules and development implications, and UNCTAD would be ready to help developing countries and countries with economies in transition to participate actively in this new debate. The scope of the WTO agenda had widened, and the development content of the new issues should be established from the outset.

4. With regard to the need for countries to have policy space for national development strategies, he referred to the importance of identifying anti-competitive practices that inhibited developing countries from exporting their goods and services and impaired the productive capacity of their firms. The empowerment of consumers helped enhance competitiveness and accelerate the development of developing countries. In this regard, he highlighted an expert meeting held in 2001 that had shed light on the existing links between consumer policy, competitiveness and development.

5. He welcomed the inclusion of the trade rules concerning regional trade agreements in the Doha work programme and stressed the important role that UNCTAD was called upon to play to support developing countries in managing the articulation of simultaneous regional and multilateral negotiations.

6. He noted that the Ministerial Declaration provided for negotiations on certain trade and environment issues and recognized the need for capacity building in that area.

7. On trade in services, the timeframe set at Doha was very tight. Developing countries had made proposals on several services areas, but their contribution to the negotiations could have been more effective had they received a greater response to their capacity building needs in this area. In this regard, he mentioned the successful expert meeting on international trade in energy services held in July 2001.

8. In agriculture, the Doha Declaration provided an ambitious mandate for continuing the reform process and included new S&D rules. This could offer an opportunity for tailoring the Agreement on Agriculture to the particular needs of developing countries in this crucial sector.

9. UNCTAD had been very active in supporting developing countries and countries with economies in transition in the process of accession to the WTO. The Doha Declaration took the interests of those countries into account, but the issue of facilitating the accession of LDCs to the WTO and the modalities for the participation of acceding countries in the negotiations needed to be tackled and defined.

10. In conclusion in this respect, the outcome of the Doha Conference had the potential to produce a substantial development content at the end of the negotiating process. Nothing was gained in advance, but the opportunity was there. In order to maximize their negotiating capacity and their possible gains, developing countries had to define clear objectives and formulate proposals that would help them to carry out effective development strategies. Consultations had been held with the potential beneficiaries of UNCTAD assistance, and priority topics for technical cooperation had been selected to help developing countries to face the new challenges. However, for all developing countries, the capacity to overcome supply constraints was the key element that determined the quality of their participation in the trading system and their capacity to benefit from the opportunities emerging from the trade negotiations. The Monterrey Conference on Financing for Development and the World Summit for Sustainable Development in South Africa would be crucial elements of a broad international scenario. The preparatory process for UNCTAD XI, which would start in mid-2002, would consider the different elements that led to competitiveness in the developing countries.

11. With regard to technical assistance activities in the context of the new process of WTO negotiations, the UNCTAD secretariat had developed a capacity building and technical cooperation plan that had five main features: it was designed on the basis of requests put forward by developing countries; it took into account the need to articulate regional and multilateral trade negotiations; it was adapted to the specificities of the beneficiaries in order to fit local needs and priorities; it responded to the short-term and the long-term needs of the developing countries - for example, the urgent need to provide assistance for the ongoing negotiations on agriculture and services had to proceed in parallel with capacity building to assess the post-Doha process from the point of view of development; and it had not been conceived in isolation - UNCTAD's technical assistance had to be delivered in cooperation with other agencies, the WTO being the first partner.

12. The capacity building and technical cooperation plan was ambitious because it reflected urgent, real and complex needs of developing countries, LDCs and countries with economies

in transition. Countries were urged to address it seriously in order to respond to the requests put forward by the countries concerned and mobilize the necessary resources to implement it.

13. The representative of **Sri Lanka**, speaking on behalf of the **Asian Group and China**, said that deep changes were currently occurring in the world trading system. The WTO Doha Conference had marked the launching of a process that would have a profound impact on developing countries. In this context the role of UNCTAD and of its Commissions acquired a new relevance.

14. The technical assistance activities identified by UNCTAD on the basis of consultations with member States were extremely important, and her Group looked forward to supporting the secretariat in its contacts with potential donors. It shared the views of the Secretary-General of UNCTAD on the importance of identifying the development implications of the forthcoming multilateral trade negotiations and the different options to be considered by developing countries in the course of preparations.

15. Another important aspect of the assistance provided by UNCTAD was its support with regard to building links between the various topics on the trade agenda and helping developing countries to assess those links.

16. The new topics in the post-Doha agenda related to issues of trade, debt and finance, and transfer of technology. While UNCTAD could provide relevant support in these issues, topics related to market access, agriculture and services should continue to play a prominent role in UNCTAD activities on trade negotiations.

17. The Group reiterated its confidence in the willingness of the developed countries to increase resources for technical assistance, and it trusted that the international community would fulfill its Doha commitments to provide developing countries with the support they required for meaningful participation in the WTO negotiations. As UNCTAD's mandate and approach was focused on development needs, it had a key role to play in that regard.

18. The representative of **Bangladesh**, speaking on behalf of the **least developed countries**, welcomed UNCTAD's technical assistance plan and urged donor countries to provide finance for its effective implementation. Contributions for negotiating capacity building could be directed to the Trust Fund for LDCs. The issue of trade in goods, services and commodities was of paramount importance for LDCs. Since the establishment of the WTO, a new dimension had been added to multilateral treatment of trade. WTO was concerned with rule making and dispute settlement, whereas UNCTAD was concerned with providing policy-relevant information and injecting the development perspective. UNCTAD must be a think tank if it was to be truly useful.

19. Two aspects of trade were fundamental for LDCs – diversifying their production and export base, and obtaining genuine market access after the removal of all tariff and non-tariff barriers. Concerning the issue of enhancing production and export capacities of developing countries in respect of agriculture and food products, agriculture remained at the heart of many LDCs' economies, but the terms of market access for products originating in LDCs had deteriorated, prices on world agricultural primary commodity markets were volatile and declining, subsidies were being provided in developed countries for agricultural production and exports, and tariff peaks applied to LDC products. UNCTAD should make a thorough assessment of these issues as they related to products of export interest to LDCs. With regard

to organic agricultural products, LDCs still faced severe constraints in that respect, but the application of GSP schemes might help, and that issue should be examined. The potential contribution on new technologies must also be looked at.

20. The issue of energy services in international trade was of critical importance for LDCs, especially the questions of getting energy supplies that these countries needed for growth and of their effective participation in the trade of energy services. On the issue of consumer interests, competitiveness, competition and development, these areas were of vital importance for LDCs, and much more was required from UNCTAD in terms of specific suggestions and country-specific policy advice.

21. The representative of **Spain**, speaking on behalf of the **European Union**, said that the positive results of Doha and their implications for the work of UNCTAD could not be overestimated. The Secretary-General of UNCTAD had made this abundantly clear in his introductory remarks, which constituted an excellent basis for the further work of the Commission.

22. The representative of the **European Community** said that one of the overriding objectives of the EU in the run up to the Doha Ministerial Conference had been to work for the better integration of developing countries into the world trading system. It was fair to say that this objective had been incorporated into the Doha Development Agenda (DDA). It was now up to negotiators to meet the challenge.

23. A clear development mandate had been included in practically every single area that the WTO would be working on and negotiating in the next three years. The EC had clearly committed itself to giving developing countries appropriate assistance and support to ensure that they would derive maximum benefit from whatever deal was negotiated in the DDA.

24. The EC was also committed to improving and enhancing existing activities on trade-related technical assistance and capacity building. The EC and its Member States would be major donors to the Trust Fund. Beyond funding, the EC was looking for ways to increase cooperation and synergies between bilateral and multilateral donors and the international institutions active in this field, with a view to delivering assistance in the most effective way in line with priorities of recipients and the objectives set out in the DDA.

25. In Doha, progress had been made in all areas of concern to developing countries, in terms of both substance and process. These areas included market access, agriculture, industrial tariffs, tariff peaks and, as far as rules were concerned, a strong commitment to improve and operationalize existing special and differential (S&D) treatment provisions for developing countries and the strengthening of their overall capacity to participate in negotiations and to implement the outcome. Decisions had also been taken on implementation that covered 40 subjects of interest to developing countries and the crucial decision on TRIPS and access to medicines (although not part of the negotiation process). He thought it was fair to say that never before within WTO/GATT had the interests of developing countries been covered so comprehensively.

26. A new item 7 had been added to the Commission's agenda to discuss specifically the implications of the Doha results for the work of the Commission. In addition, agenda items 3, 4 and 5 were all directly relevant to the mandates agreed at Doha and to discussions on sustainable development, market access for environmentally friendly goods and services, the

agricultural negotiations and the mandate on non-agricultural tariffs. The discussions on these items in the Commission should take place with the results of Doha fully in mind. The European Union believed more than ever that UNCTAD had an important supporting role in preparing developing countries for the negotiations in WTO.

27. The representative of **Uganda**, speaking on behalf of the **African Group**, expressed the appreciation of the Group for the support provided by UNCTAD to the preparations for the Doha Ministerial Conference. He welcomed UNCTAD's post-Doha capacity building and technical assistance plan and appealed to developed partners to provide additional resources for its implementation. He underlined the usefulness of UNCTAD's work in support of developing countries in dealing with the challenges generated by the new work programme agreed at Doha. The timeframe established for the negotiations in agriculture and services was tight, and African countries needed to get ready quickly to participate in them effectively. He also put emphasis on the need for country-level and country-specific support, including support in developing an institutional framework and trade negotiations infrastructure, in order to bring policymakers into the mainstream of negotiations. In that connection, he recommended the continuation of the support provided by UNCTAD to African countries through the Commercial Diplomacy Programme and JITAP. Finally, the three expert meetings held in 2001 had addressed issues of key relevance for the countries of the African region, and he thanked UNCTAD for organizing such useful meetings.

28. The representative of **Paraguay**, speaking on behalf of the **Latin American and Caribbean Group**, expressed the appreciation of his Group for the three expert meetings held in 2001. He underlined the crucial importance that agriculture had for Latin American and Caribbean countries. The expert meeting on environmentally preferable agricultural products had provided suggestions for countries in the region on how to take advantage of existing niche markets for the export of their agricultural products. The expert meeting on energy services had been a useful exercise in which Latin American and Caribbean countries had participated very actively. The discussions at the expert meeting on energy services relating to the negotiating proposals tabled at the WTO had helped countries to acquire a better understanding of the issues at stake and to prepare for the GATS negotiations. Finally, the expert meeting on consumer interests, competitiveness, competition and development had addressed an important theme, since the interests of consumers and those of producers had to be reconciled.

29. The representative of **Paraguay** offered full support for the capacity building and technical cooperation plan presented by the Secretary-General of UNCTAD. The plan included three aspects that were crucial to enabling developing countries to participate effectively in the Doha work programme, namely policy analysis, human resources capacity building, and institutional capacity building.

30. The plan would allow UNCTAD to provide support to developing countries in some key trade areas, such as agriculture, services, implementation-related issues, market access, environment and competition. Agriculture was an area of great relevance for countries in Latin America and the Caribbean, and they hoped that, with UNCTAD's support, they would achieve increased market access for their products and elimination of export subsidies and domestic support measures that had a detrimental impact on trade. In the services sector, UNCTAD could help developing countries assess the evolution of trade in services since the conclusion of the Uruguay Round and the impact of liberalization on their economies, as well

as identify services sectors of special interest to them.

31. The trade negotiations launched at Doha had to include a clear commitment to development, meaning that all countries would be allowed to play a role in the negotiations, that the specificity of each country would be recognized, and that the interests of any one country would not be allowed to prevail over those of other countries.

32. The representative of **China** recognized that the expert meetings that had taken place over the past year had produced fruitful discussions. They had been characterized by frank and in-depth expert discussions resulting in some positive and constructive proposals. It was important that the Commission give adequate consideration to the opinion of the experts so that the full value of their discussions could be reflected in the work of the Commission.

33. In a context of expanding globalization, developing countries were facing increasing challenges with respect to the attainment of their development objectives. International cooperation was therefore necessary to support developing countries and ensure their sustainable growth. Deeper and more comprehensive understanding was required to see how developing countries could increase their participation in the global economy and how they could participate more effectively in the multilateral trade negotiations. In this respect, discussions of UNCTAD's proposed post-Doha activities, including technical assistance, was of utmost importance and relevance to developing countries.

34. The representative of **Bolivia** thanked the Secretary-General of UNCTAD for the proposed capacity building and technical cooperation plan in support of developing country participation in the WTO post-Doha work programme. The countries of the Andean Community hoped that this proposal would get the necessary funding rapidly so that it could become operational.

35. The representative of the **Dominican Republic** expressed support for the ambitious plan submitted by the Secretary-General of UNCTAD on capacity-building and technical cooperation. The plan highlighted three key issues: trade and environment, competition policy, and investment and trade. With regard to trade and environment, the positive agenda for developing countries had to be made explicit. In the area of competition policy, action at the national level to reduce the lack of institutional and legal frameworks to articulate effective competition policies was very relevant. On investment and trade, within the Latin American and Caribbean Group, there was concern about the need to clarify the links and obstacles in the trade and investment interface. This would enable members of the Group to better define their position when negotiating in the WTO.

36. The representative of **Burundi** said that UNCTAD should be fully involved in the implementation of the Doha Ministerial decision. Donors, in particular developed countries, were invited to increase their financial support to international organizations such as UNCTAD in order to assist African countries in participating effectively in the Doha trade agenda. In his view, the CHF 15 million that had been proposed by donors in the WTO were insufficient to meet the needs of developing countries.

37. The representative of **Egypt**, speaking on behalf of the **Group of 77 and China**, said that UNCTAD should build upon its mandate set out in the Bangkok Plan of Action and continue to provide crucial and focused support during the post-Doha negotiations. In this respect, the expert meetings to be held over the next year should address issues under negotiation.

Particular attention should be given to negotiations on trade and environment, which would start shortly, and to the links with negotiations in other areas such as agriculture. He commended the Secretary-general of UNCTAD for preparing a detailed demand-driven plan for assistance in the Doha work programme. His Group urged donor Governments and organizations to give priority to UNCTAD in executing commitments made by Ministers in the Doha Declaration to provide technical assistance to developing countries. UNCTAD's assistance was unique in that it was not guided by any particular ideology, nor was it subject to conditions. The impact of the Doha work programme on development would depend upon the extent of the additional resources to be made available, in particular, to UNCTAD technical assistance.

38. Total agricultural trade value had increased 7.5 times, but at the same time the share of developing countries in their traditional commodity markets had declined by about a fifth since the 1970s, and only a few developing countries had benefited from the growth in high value added products such as vegetable oils, fish, vegetable, cut flowers and poultry. The increasing import-penetration of developing countries, in particular by developed country agricultural producers, had led to a significant deterioration of the trade balance of developing countries as regards agricultural products, particularly in LDCs. Recent changes in market structures for agricultural products had led to a number of new production and export constraints for developing countries. These included limited managerial skills, expensive and inadequately supplied inputs, new requirements as regards product quality, insufficient research and development activities and transfer of technology, slow development of new products, lack of finance and organization, and infrastructure difficulties.

39. He recalled the experts' recommendation that UNCTAD, in cooperation with other organizations, should provide and disseminate, including through electronic means, market analyses and strategies, and carry out research and promote policy dialogue on agricultural trade. Referring to the project "capacity building for diversification and commodity based development", he recalled that the needs expressed in the workshops organized under this project were, in most cases, closely related to the recommendations of the experts. Country-level implementation was crucial, and resources needed to be made available for that purpose. The Group of 77 and China were of the opinion that the experts' recommendations were an excellent basis for the Commission's work and that these should be turned into agreed conclusions for policy action at the national and international levels and for UNCTAD's work.

40. The Group was interested in exploring opportunities with regard to markets for niche products and environmentally preferable products and in overcoming the related constraints. Endorsing the recommendations of the experts, he gave particular emphasis to the issues of reduction of certification costs, in particular for smallholders, equivalence of standards, and transparent and simple import procedures. He hoped that UNCTAD would play an important role in promoting the effective implementation of the recommendations, in particular those on technical cooperation and capacity building, including in designing policies designed to increase productivity and export capacities in developing countries.

41. On the energy sector, which could contribute greatly to economic growth, he emphasized that limited access to commercial energy jeopardized prospects for development and was a major cause of environmental and health hazards. The capacity of countries to satisfy the rising demand for energy would depend on appropriate investments in research and

development. Energy services played a crucial role in providing efficient access to energy in support of development. In this sector, barriers for developing countries included the absence of clear national/regional strategies, the need for large amounts of capital and the lack of financial resources, the concentration of expertise and technology, the absence of regulatory frameworks, and political instability. He recalled the tight schedule for negotiations on services and the importance of these negotiations given the close link between the energy sector and development. The energy-rich developing countries should use these negotiations as an opportunity to try to ensure local capacities in energy services. For the other developing countries, the WTO negotiations might help in achieving a better management and distribution of energy. As UNCTAD was the only intergovernmental organization working on this issue, he hoped that the Commission would give the UNCTAD secretariat the mandate for activities aimed at (i) a better understanding of the issues at stake, (ii) exchange of experiences, and (iii) capacity building activities.

42. In the area of competition, the Group of 77 and China had concerns about the implications of globalization and liberalization for the competitiveness of developing countries and their enterprises. He welcomed the outcome of the expert meeting on consumer interests, competitiveness, competition and development, which had clarified the links between consumer protection, competition policy and competitiveness. UNCTAD should pursue the reflection on this question and sharpen the focus on areas such as regulation of public services, cross-border transactions, cross-border fraud and e-commerce.