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Commission on Trade in Goods and Services, and Commodities
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**Draft report of the Commission on Trade in Goods and Services,
and Commodities at its ninth session**

Rapporteur: Mr. El Mostafa Ait Amor (Morocco)

Speakers:

Officer-in-Charge of UNCTAD
Democratic Republic of the Congo
for the Group of 77 and China
Philippines for the Asian Group
and China
Egypt for the African Group

Costa Rica for GRULAC
Luxembourg for the EU
Benin for the LDCs
India
China
Russian Federation

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
Tuesday, 22 March 2005 at the latest to:
UNCTAD Editorial Section, Room E-8108, fax no. 917 0056, tel. no. 917 5656.

Chapter I

Opening statements

1. The **Officer-in-Charge of UNCTAD** stressed that this was the first session of the Commission on Trade in Goods and Services, and Commodities since UNCTAD XI and it therefore provided an opportunity to address the substantive issues on the agenda from the perspective of implementing the São Paulo Consensus. The current year would also be marked by the five-year review of the implementation of the Millennium Declaration and the Millennium Development Goals (MDGs). These events were closely interlinked through their common goal of promoting trade as an engine for growth, development and poverty eradication. The Commission, under agenda item 3, would examine how access to commodity trade finance affected the competitiveness and market entry capacities of developing countries, especially commodity-dependent ones. Given the importance of commodity issues, as comprehensively reflected in the São Paulo Consensus (paragraph 100), the Commission might wish to consider inserting the issue of commodities as a regular item in its future agendas. Regarding competitiveness, a growing number of developing countries, including LDCs, recognized that national and international competition law and policy were important for their development and poverty reduction objectives. In this respect, the Fifth Conference to Review All Aspects of the UN Set of Principles and Rules for the Control of Restrictive Business Practices would take place at Antalya, Turkey, in November 2005.

2. Under agenda item 4, the Commission would examine the increasing role of developing countries in international trade in services, as well as experiences and challenges in the ongoing multilateral and regional negotiations on services. Many developing countries had embarked on reform processes, but the liberalization of trade in services might not produce the expected results or gains without complementary policies. Many LDCs had been witnessing a decline in the share of services in their GDP since the 1990s. Market access liberalization in services trade could not be considered without taking into account progress in the GATS rules negotiations and disciplines on domestic regulations. One issue here was the role of adequate regulatory frameworks if trade liberalization was to generate beneficial results.

3. On agenda item 5, he underlined UNCTAD's support for developing countries in their participation in the Doha Work Programme and beyond, which included market access and supply-side capacity issues on the nexus between trade, environment and development. Some of these issues lay outside the scope of the WTO, including innovative ways of making trade work for sustainable development, such as the BioTrade Initiative. The Kyoto Protocol's entry into force in February 2005 had been an important development, and UNCTAD stood ready to continue working with the secretariat of the UN Framework Convention on Climate Change to assist developing countries in trade and investment-related issues in the area of climate change, for instance to promote greater trade and investment opportunities under the Clean Development Mechanism. He also stressed the importance of the Consultative Task Force (CTF) on Environmental Requirements and Market Access for Developing Countries, a project-based activity launched during the Rio Trade Week preceding UNCTAD XI.

4. The Expert Meeting on New and Dynamic Sectors in World Trade in February 2005 had discussed outsourcing of IT-enabled services, textiles and clothing, and renewable energy and bio-fuels. He recommended that the Commission consider possible follow-up action to sectoral reviews, including field projects, as well as holding another expert meeting on new and dynamic sectors during the present biennium.

5. The representative of the **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, said that UNCTAD's support would be needed for two major events in 2005: the preparatory process for the five-year review of the implementation of the Millennium Declaration and the 6th WTO Ministerial Conference in Hong Kong.

6. For many commodity-dependent developing countries, the negative impact of commodity-finance-related market entry barriers needed to be addressed. The São Paulo Consensus provided a roadmap for UNCTAD's work in the area of commodities, and in this connection the Commission should take up commodities as a standing item on its agenda. He expressed support for the International Task Force on Commodities. Also, efforts were required to make global markets more efficient, fairer and more equitable by preventing and dismantling anti-competitive structures and practices of global enterprises where these adversely affected developing country exports, including commodity exports. The Fifth UN Conference to Review all Aspects of the UN Set of Principles and Rules for the Control of Restrictive Business Practices would be a good opportunity to deal with anti-competitive practices. He welcomed the work on new and dynamic sectors of world trade. UNCTAD should continue such activities as a matter of high priority and extend them to capacity-building.

7. On trade in services, he fully endorsed the assessment of the UNCTAD secretariat contained in section V of document TD/B/COM.1/71. More labour-intensive services sectors were of particular interest to developing countries, and they should be given priority in GATS negotiations. Developing countries sought deeper and binding commitments by developed countries on modes 4 and 1 and on the operationalization of GATS Article IV. They needed support to develop competitive services supply capacity, strengthen institutional and regulatory capacity building, and retain the necessary policy space to ensure an appropriate balance between various development objectives. A necessary prerequisite was a clear assessment of both services trade potential and GATS negotiation objectives and their broader implications for development. Developing countries attached great importance to UNCTAD's work in this regard and called for further analysis by UNCTAD on means of building competitive services sectors and infrastructural services that would support and enhance competitiveness and development.

8. He commended UNCTAD's work on a wide variety of trade and environment issues, in particular on environmental goods and services, environmental requirements and market access, export opportunities for organic products, and the BioTrade initiative. UNCTAD's new initiative on the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries was also encouraged, as was its assistance during WTO negotiations on identifying environmental goods of export and sustainable development interest to developing countries.

9. He expressed satisfaction with the comprehensive treatment by the secretariat of the recommendations made at the Commission's eighth session. The focus on LDCs and African countries in trade-related work needed to continue, given the specific and pressing needs of these countries. The financial support provided by donors to UNCTAD to implement technical cooperation activities was acknowledged, but such support should be increased in the light of the enhanced mandate from UNCTAD XI. His Group reiterated its commitment to the new round of GSTP negotiations and looked forward to UNCTAD's continued support.

10. The representative of the **Philippines**, speaking on behalf of the **Asian Group and China**, expressed appreciation for the initiative by the secretariat in organizing a discussion on trade and MDGs and looked forward to a more direct contribution by UNCTAD's intergovernmental process to the sixtieth session of the UN General Assembly and in

particular to the high-level plenary on the review of the MDGs. He also expressed appreciation for the secretariat's analysis of commodity finance mechanisms and to development partners for their support for such schemes in Asia. One suggestion was to include commodity finance within corporate social responsibility programmes of multinational companies and to take account of commodity issues during the Fifth UN Conference to Review the Set of Principles and Rules on RBPs. UNCTAD's work on new and dynamic sectors was encouraged, and other sectors such as environmental goods and services, as well as textiles and clothing in the post-ATC setting, should also be considered.

11. He emphasized the urgent need to address supply capacity constraints in the area of services and obstacles to developing country exports of services, in particular mutual recognition agreements, essential needs tests, visas, technical requirements and domestic regulation. Developed countries should recognize the importance of Mode 4, as well as modes 1 and 2, for economic development. Given the importance of trade in services, he welcomed UNCTAD's focus on the services sector in all pillars of its work, as well as on services assessment.

12. He recalled the commitment made during UNCTAD XI to monitor environmental measures affecting exports of developing countries. Such requirements had become pivotal factors for market access and market entry. In many instances, environmental requirements had adversely affected Asian countries, and a number of suggestions made by the secretariat deserved full endorsement. The involvement of the private sector in the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries was commended. The positive role of the BioTrade Initiative was stressed, and the secretariat should launch it in other countries in the region.

13. The representative of **Egypt**, speaking on behalf of the **African Group**, stressed that most African countries were commodity-dependent. Problems arising from lack of capital, technology and human resources in complying with product standards had to be addressed, including through innovative financial mechanisms. The appropriate role of the state had to be acknowledged. Small producers had to be supported, "decent" prices paid and partnerships between producers in developing countries and commodity distributors promoted. African producers were concerned about trade barriers imposed by adverse international market structures and enterprise-level barriers. UNCTAD had undertaken important work in this area, and analytical work to assist developing countries on issues related to competition law and policies, including at the regional level, should be strengthened.

14. Trade in services provided opportunities for African countries in achieving the MDGs. The development of infrastructural services sectors was of crucial importance to economic development, but most African services suppliers suffered from limited resources and lack of competitiveness. Services were important for improving welfare, and Governments had a major regulatory role to play to ensure the attainment of social objectives. Liberalization and privatization of infrastructural services also needed to be accompanied by appropriate competition and legislation measures. The Commission could play a role in adopting specific recommendations to foster dynamism in domestic services industries, access to technology through modes of supply, and movement of natural persons.

15. African countries had difficulties in adjusting to environmental and environment-related food safety requirements in their key export markets. They were concerned about pesticide regulations and private sector standards. In this regard, the work of the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries was appreciated, as was that of the UNCTAD/FAO/IFOM International Task Force on Harmonization and Equivalence in Organic Agriculture. Owing to food security and

environmental concerns, African countries welcomed planned projects under the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development and the BioTrade Initiative, which was being expanded into Africa. UNCTAD's work on biodiversity and traditional knowledge was also important, as the majority of Africans relied on traditional knowledge to meet food and health needs. There was also potential for UNCTAD capacity building in connection with the Clean Development Mechanism under the Kyoto Protocol to assist African countries, which were presently at a disadvantage.

16. The initiative on new and dynamic sectors of international trade offered an important opportunity for African countries to diversify their production and exports. The initiative must now be extended to the third pillar of UNCTAD's activities, namely capacity building, especially for Africa, including country-level and subregional pilot projects, given that Africa had yet to build up capacity in such new and dynamic sectors.

17. The post-Doha work under JITAP was very important. Other specific technical cooperation activities deserving special mention related to trade and the environment, trade and competition, commodity issues, WTO accession, ACP-EU negotiations, and GSTP. UNCTAD was an important partner for Africa in the search for a successful conclusion to the Doha Work Programme and to the realization of its development goal. He expressed satisfaction with the work carried out by the secretariat, as outlined in document TD/B/COM.1/69.

18. The representative of **Costa Rica**, speaking on behalf of the **Latin American and Caribbean Group**, said that UNCTAD should continue its fruitful work in the area of trade and development, focusing on three major areas: (a) the role of trade in economic development, and the link between trade liberalization, economic growth and poverty alleviation; (b) the interrelationship between multilateralism and regional integration, both of which were compatible and complementary; and (c) multilateral negotiations and continued support for developing countries in their participation in the Doha Work Programme.

19. Concerning services, the role of developing countries in international trade in services must be increased. Many countries in the region had embarked on reform processes in services, but their share in international trade in services was still very modest, at about 3.5 per cent, and lower than trade in goods, which stood at 5.3 per cent of total world trade. Countries in the region expected to reap benefits from services negotiations through the temporary movement of natural persons supplying services (Mode 4). UNCTAD had been providing assistance to developing countries in this area, and that assistance should be enhanced. It was also important to examine best practices in services that would reinforce South-South trade in services.

20. The Group attached importance to the link between trade, investment and environment objectives, given the extensive biodiversity resources in the region. It supported UNCTAD's work on organic agriculture, the BioTrade Initiative, climate change and sustainable tourism. It looked forward to the success of the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries, and it appreciated UNCTAD's work on environmental goods and services.

21. The entry into force of the Kyoto Protocol was an important development bringing new opportunities. UNCTAD had a role in assisting developing countries in trade-and-investment-related issues in the area of climate change, for instance promoting greater trade and investment opportunities under the Clean Development Mechanism, rural development, energy supply diversification, production of bio fuels, and the use of commodities to produce

energy. The Group expressed gratitude to the United Kingdom Government for its project on environmental requirements, which benefited eight countries in the region.

22. The representative of **Luxembourg**, speaking on behalf of the **European Union**, said that, as evidenced by the Commission's agenda, the role of UNCTAD went beyond capacity building for trade negotiations and implementation of trade agreements. The Commission offered a good opportunity to reflect upon the linkages between trade and the MDGs, and the EU endorsed the conclusion of the UN Millennium Project Report on MDGs that trade could be a powerful engine for economic growth and poverty reduction. In this connection, the EU agreed that agriculture, non-agricultural market access, services, trade facilitation and special and differential treatment were not only critical elements for the current negotiations but also key factors in the achievement of MDGs. The EU also endorsed the recommendation of the UN Millennium Project Report regarding the extension of EBA-like schemes in favour of LDCs by all developed countries. Preferential market access for LDCs in developing countries would also facilitate South-South trade.

23. The EU appreciated the efforts made by UNCTAD to promote the issue of commodity finance, and the approach suggested in the secretariat's background paper was very appropriate. The EU was examining several means to support UNCTAD's work in this area, particularly work aimed at promoting best practices in commodity-dependent developing countries.

24. The EU agreed with the UNCTAD secretariat on the increasing importance of services and their development potential, including the importance of mode 4 for all trading partners, in particular developing countries. Given its importance, the EU had made a substantial initial offer on mode 4. Moreover, international remittances were still affected by high transaction costs, and such costs should be reduced by increased competition and efficiency in the financial services sector. Regarding the current GATS negotiations, progress would be dependent upon the participation of all trading partners in the request-offer process. The EU was ready to take into account all the flexibilities available under GATS and the negotiating guidelines in favour of LDCs, and specific attention would be given to the interests of developing countries in its revised services offer, as required by the July Package.

25. On trade, environment and development, the EU, via certain member States, was cooperating closely with UNCTAD, particularly on technical assistance activities. Concerns over environmental norms implied not that such standards should be lowered but that support should be provided to exporters to help them conform to the standards. The work carried out by UNCTAD on certain economic sectors provided useful lessons in that respect.

26. The representative of **Benin**, speaking on behalf of the **least developed countries**, called on the international community to provide the developing countries and in particular the LDCs with a rapid solution to their specific problems in respect of foreign debt, the decline in ODA, low levels of investment, declining terms of trade, protectionism in export markets, unstable prices for commodities and the absence of sufficient infrastructure and production facilities.

27. The production and export of commodities was of primary importance to LDCs, since the share of commodity exports as a percentage of their total export revenue was often above 90 per cent. However, only a small percentage of these exports consisted of processed products. LDCs suffered from declining commodity prices, which caused social and balance-of-payment problems. UNCTAD's analysis in this respect was very helpful.

28. A major question was how LDCs could benefit from their opportunities and from their comparative advantages in commodity sectors. There was need for the reduction and/or

elimination of export subsidies, domestic support, tariff peaks and escalation, and non-tariff barriers. Trade facilitation was also very important and had to be strengthened. Production capacities had to be developed, and technical assistance should be provided for developing countries and in particular LDCs in that respect. Development of infrastructure and trade capacity would be a priority in attracting the investments necessary for self-sufficient economic growth and development.

29. Regarding the link between trade and poverty reduction, important factors included the improvement of market access, infrastructure building and education. The objective of providing 0.7 per cent of GDP as ODA was also stressed. LDCs should be supported in moving from primary commodities towards processed products. It would be important to invest in physical, human and institutional capacity in LDCs, especially transportation systems. Other important factors included the coherence of international trade policies and domestic development strategies in order to achieve the MDGs. Three important measures to assist LDCs were the opening of markets for products originating in LDCs, the provision of micro credit, and the cancellation of LDC debts.

30. Regarding the services sector, services such as transport, energy, insurance, banking, health, education, tourism, and professional services were critical for economic development, and LDCs' competitiveness in those sectors would have to be improved and technical assistance provided. Benefits would arise from the GATS negotiations, especially from the movement of natural persons.

31. LDCs acknowledged the link between trade, environment and sustainable development. The protection of the environment was important for sustainable development, and LDCs attached great importance to the implementation of decisions and recommendations under Agenda 21. The formulation of standards, including environmental norms, should take LDCs' specific circumstances into account, and SMEs in LDCs should be assisted in meeting such standards. Finally, he expressed appreciation to donors for their support for UNCTAD technical cooperation programmes and called for such support to be enhanced in support of the development of LDCs.

32. The representative of **India** said that the third round of GSTP negotiations was expected to entail a package of substantial trade liberalization commitments based on mutual advantage and equitable distribution of benefits to all participants, promote economic complementarities and include concrete preferential measures for LDCs. A Negotiating Committee had been set up, with two Negotiating Groups that met every week (one on rule-making and the other on market access). A timetable had been drawn up with the aim of completing the round by November 2006. Members of the Group of 77 and China had been invited to join the negotiations and had attended the formal and informal sessions of the two working groups. The accession of new members would be dovetailed with the ongoing negotiations. Participants expected the round to be a successful, meaningful and mutually beneficial one. She expressed appreciation for UNCTAD's assistance to the GSTP.

33. UNCTAD's knowledge, experience and expertise would be invaluable in contributing to the five-year review of the MDGs and the 6th WTO Ministerial Conference in Hong Kong. The renewed mandate from UNCTAD XI and the results from expert meetings should be reflected in UNCTAD's work. The need for financial and technical assistance for supply-side capacity building was brought out clearly in UNCTAD documents. Positive examples from several developing countries, including India, showed that it was possible to design viable and sustainable financing schemes for commodity producers, processors and traders, and UNCTAD should undertake further initiatives in this regard.

34. UNCTAD was expected to promote coherence in the international financial, monetary and trading system, based on the principle of preserving “policy space” and flexibilities for developing countries, which should be seen not as concessions or exceptions to the rule but as built-in features of the architecture of the multilateral trading system. The WTO institutional structure needed reform in terms of both process and substance. The decision-making process must be transparent, inclusive and participatory, and the substance should integrate the development dimension; UNCTAD was expected to continue to play a positive role in achieving this objective. UNCTAD’s work on new and dynamic sectors was commendable and should be followed up by capacity building support at the national, subregional and regional levels. Work could be extended to other sectors, including the audiovisual sector, tourism, biotechnology, environmental goods and services, and pharmaceuticals. UNCTAD’s pioneering work in Mode 4 should also continue. Regarding trade and the environment, the creation of new barriers through environmental and health requirements remained an issue of concern. Multilateral negotiations should take the environmental goods and services of export interest to developing countries fully into account. Traditional knowledge was another important issue, and UNCTAD’s assistance in exploring holistic approaches to the protection, promotion and preservation of traditional knowledge and its integration into development strategies was welcome. UNCTAD should continue its work on traditional knowledge, working closely with other international organisations including WTO, UNEP, CBD, FAO and WIPO.

35. The representative of **China** emphasized the importance of financing trade in commodities. Developing countries’ efforts in this area would not be enough and would therefore have to be supported by developed countries and international organizations. UNCTAD’s work was appreciated in this regard, and its work on primary commodities should be strengthened. On services, the importance of mode 4 for sustainable development was very important. Since developing countries lacked competitiveness in trade in services, developed countries should focus on liberalizing services sectors of specific interest to them, especially services involving the movement of natural persons. Non-tariff barriers acted as major barriers to exports from developing countries and should be addressed in the WTO negotiations. UNCTAD’s work in this area had an important role to play.

36. The representative of the **Russian Federation** emphasized the importance of UNCTAD’s work regarding WTO accession and regional integration. The agenda for the Commission allowed member States to address extremely complex but very interesting issues at the centre of international trade.

Chapter II

Organizational matters

Opening of the session

37. The ninth session of the Commission on Trade in Goods and Services, and Commodities was held at the Palais des Nations, Geneva, from 14 to 18 March 2005. The session was opened on 14 March 2005 by the Director of the Division on International Trade in Goods and Services and Commodities.

Election of officers

38. At its opening plenary meeting, on 14 March 2005, the Commission elected its Bureau as follows:

President:	Mr. Dacio Castillo (Honduras)
Vice-Presidents:	Ms. Fatima Al-Ghazali (Oman) Ms. Carmen Domínguez (Chile) Ms. Barbara Rietbrock (Netherlands) Mr. Dmitri Godunov (Russian Federation) Mr. Emmanuel Farcot (France)
Rapporteur:	Mr. El Mostafa Ait Amor (Morocco)

Adoption of the agenda and organization of work

39. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.1/68. Accordingly, the agenda for the eighth session was as follows:

1. Election of officers
 2. Adoption of the agenda and organization of work
 3. Market access, market entry and competitiveness
 4. Trade in services and development implications
 5. Trade, environment and development
 6. Implementation of agreed conclusions and recommendations of the Commission, including the post-Doha follow-up
 7. Provisional agenda for the tenth session of the Commission
 8. Other business
 9. Adoption of the report of the Commission to the Trade and Development Board
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