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TRADE AND DEVELOPMENT BOARD
Commission on Trade in Goods and Services, and Commodities
Tenth session
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Item 10

**DRAFT REPORT OF THE COMMISSION ON TRADE IN GOODS AND
SERVICES, AND COMMODITIES AT ITS TENTH SESSION**

Rapporteur: Mr. Kiminori Iwama (Japan)

Speakers:

Secretary-General of UNCTAD
Pakistan for the Group of 77 and China
Sri Lanka for the Asian Group and China
Guatemala for the Latin American and
Caribbean Group
Zimbabwe for the African Group
Benin for the least developed countries
Austria for the European Union (EU) and
the acceding countries of Bulgaria and
Romania
Sri Lanka for the GSTP Committee of
Participants

Colombia
Azerbaijan
Solomon Islands
Russian Federation
Thailand
Brazil
Iraq
China
Economic Commission for Europe
Third World Network
Indonesia

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, 14 February 2006** at the latest, to:
UNCTAD Editorial Section, Room E-8106, fax no. 917 0056, tel. no. 917 1437.

Chapter I

OPENING STATEMENTS

1. The **Secretary-General of UNCTAD** said that the Trade Commission provided an excellent forum for intensive policy dialogue on crucial issues in international trade. He urged member States to formulate ideas, conclusions and meaningful and substantive policy recommendations with a view to further strengthening the implementation of the São Paulo Consensus in terms of “assuring development gains from the international trading system and trade negotiations”. The deliberations of the high-level segment should help improve the work on and use of UNCTAD's new Trade and Development Index, particularly its focus on country-level experiences and policies and on developing partnerships in trade and development. The Commission could also focus on actions to mainstream commodities into poverty alleviation strategies and, in this context, support UNCTAD in starting work on the International Task Force on Commodities. Further, there was need for policy conclusions and strengthened national and international efforts on increasing the participation of developing countries in dynamic and new sectors of world trade, especially LDCs and African countries. He informed the Commission of the setting-up in UNCTAD of a Group of Eminent Person on Non-Tariff Barriers that would enhance UNCTAD's work in that area, and he urged donors to support this initiative, including the improvement of existing tools such as TRAINS. The Commission should also examine domestic policy instruments and strategies in respect of services development, as well as related supportive actions by the international community, to ensure that trade reform brought development gains with minimal adjustment costs. UNCTAD was at the forefront of studying developments at the interface of trade and the environment, including the trade and environment negotiations at the WTO, and providing countries with guidance and support. Finally, he pointed to the 97 per cent implementation rate of the subprogramme on international trade. This represented a substantial improvement over the previous biennium, despite a substantially increased mandate for the Trade Division arising from UNCTAD XI without any increase in resources.

2. The representative of **Pakistan**, speaking on behalf of the **Group of 77 and China**, urged the Trade Commission to make a meaningful contribution to the trade and development agenda discourse, which was its core mandate. The secretariat's background documents provided useful policy options that needed to be assessed and distilled into policy recommendations.

3. Developing countries had played a very constructive role before and during the Sixth WTO Ministerial Conference. The outcome of the Conference should allow a rebalancing of the Doha negotiations in favour of developing countries and promote the development dimension. Ensuring policy space for developing countries in order to promote development-oriented growth in agricultural, industrial and services sectors was of the utmost importance. The Commission should focus on how and to what extent the intent of Doha had been accomplished and on the role UNCTAD could play to help realize the full ambition of the Doha Development Agenda. The endorsement of aid for trade was welcomed. At the same time, it seemed to have a trade liberalization focus and must be designed and implemented in a manner that ensured a development orientation. To that end, a high-level policy dialogue would be essential. On commodities, the Commission could identify and agree on the best ways to strengthen the nexus between trade, food security and industrialization from a commodity base. Important factors in this regard included: South-South trade in commodities, including through the GSTP; implementing the decision on commodities of the

Sixth WTO Ministerial Conference; developing and testing innovative pilot strategies on commodity-based development programming; and finding adequate resources from development partners to implement the International Task Force on Commodities.

4. The Doha negotiations on agriculture and manufactures provided a good opportunity for developing countries to benefit from improved market access, particularly in industrialized country markets. However, non-tariff barriers (NTBs) were damaging the exports of developing countries, as they were harder to detect and define. UNCTAD had a clear role to play in assisting developing countries to assess the impact of NTBs on their exports and contributing to consensus building on NTBs, including in the Doha negotiations on non-agricultural market access. In that connection, he welcomed the setting up of the Group of Eminent Persons on NTBs. He attached utmost importance to the Commission's work on trade in services, including work on creating a coherent policy environment for trade in services supportive of development. WTO services negotiations needed to focus on development-friendly provisions and adhere to the principle of progressive liberalization encapsulated in the GATS. Developing countries attached importance to effective and commercially meaningful liberalization of temporary movement of natural persons (Mode 4), with priority for sectors of interest to them, and to GATS rules, particularly emergency safeguard measures. Document TD/B/COM.1/77 was extremely useful in providing a comprehensive analysis of possible gains from services liberalization and policy challenges facing developing countries, and UNCTAD's continued valuable support for developing countries on the WTO services negotiations was appreciated.

5. He expressed concern with the more stringent, complex and multidimensional environmental and related health requirements affecting the exports of developing countries. A balanced approach that led to shared trade and environmental gains was required. WTO rules and disciplines for limiting the trade-restrictiveness of environmental requirements were important, but the WTO could not directly address specific problems arising in the preparation and implementation of such requirements. UNCTAD could play a key role in providing technical assistance and capacity building to developing countries that needed to strengthen their institutional capacity to deal with environmental requirements. Some best practices had been identified in the secretariat documentation, and expert meetings had suggested specific actions that could be further analysed by the Commission with a view to developing a concrete action plan. UNCTAD's Consultative Task Force on Environmental Requirements and Market Access for Developing Countries (CTF) was a step in the right direction. He also welcomed UNCTAD's support for many developing countries in the WTO negotiations on the liberalization of international trade in environmental goods and services; its pivotal role in supporting developing countries in seizing trade and investment opportunities arising from the implementation of economically relevant multilateral environmental agreements; and the BioTrade Initiative and the recently launched Bio Fuels Initiative.

6. The representative of **Sri Lanka**, speaking on behalf of the **Asian Group and China**, said that the Asian region had emerged as a growth pole, but commodity issues remained at the core of recent development efforts. Some 91 per cent of the commodities trade of the region took place within the region itself. LDCs and SIDS remained commodity-dependent and vulnerable to price fluctuations. Thus, substantive discussions and international actions were needed on appropriate commodity policies aimed at fighting poverty. Measures could include an emphasis on commodities in the aid for trade initiative; participation of UNCTAD in implementing the decision on commodities taken by the Sixth

WTO Ministerial Conference; and financial support from donors for the International task Force on Commodities. She expressed appreciation for UNCTAD's distinctive work on market access, market entry and competitiveness of developing country exports and urged the Commission to take forward the international policy dialogue and research and analysis on these issues. She noted the policy options on trade in services contained in the secretariat's document (TD/B/COM.1/77) and requested the secretariat to extend its work on assessment of trade in services to a greater number of developing countries and sectors. UNCTAD's advisory and capacity building work on WTO services was extremely useful to Asian countries in terms of highlighting their key interests, including Mode 4 supply of services. She welcomed the secretariat's practical initiatives on sustainable development, such as the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries, the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development, and the FAO/IFOAM/UNCTAD International Task Force on Harmonization and Equivalence in Organic Agriculture. She also welcomed UNCTAD's analytical, empirical and technical support for countries in the Asian region in connection with the liberalization of international trade in environmental goods and services. She attached great importance to the relationship between TRIPS and the Convention on Biological Diversity and welcomed UNCTAD's work in this area. She applauded UNCTAD's useful work on trade through its expert meetings, the post-Doha review by the Trade and Development Board, and the analysis and technical assistance activities of the Trade Division on the Doha negotiations, services assessment, dispute settlement, new and dynamic sectors, regional integration and WTO accession. In the context of UNCTAD's Mid-term Review, the Trade Commission should be enhanced and the profile of UNCTAD raised. UNCTAD's contribution to the implementation of the MDGs should also be enhanced, including through support for the operationalization of the New Asian-African Strategic Partnership and the Jakarta Declaration on the MDGs.

7. The representative of **Guatemala**, speaking on behalf of the **Latin American and Caribbean Group**, recalled the key role played by the Commission in the implementation of the São Paulo Consensus and in support of the WTO negotiations. In the area of commodities, UNCTAD should focus its efforts on supply chain analysis, risk analysis, assistance for compliance with technical standards and consumer protection requirements, export diversification in areas such as biofuels, and higher-value-added fishery products. In the area of market access, market entry and competitiveness, his Group attached utmost importance to UNCTAD's work on new and dynamic sectors at the national, subregional and regional level; further work on methodologies for the classification and quantification of NTBs; and competition policy and consumer protection, in particular the COMPAL programme. In the area of trade in services, the Latin American and Caribbean group encouraged further statistical work by the UNCTAD secretariat, as well as technical assistance and assessment of services in countries in the region and advisory services on GATS negotiations. On trade and environment, UNCTAD should strengthen its BioTrade and BioFuels Initiatives in the Latin American and Caribbean region and its work on the impact of the EU Novel Food Regulation on exotic biodiversity products, as well as on other economic opportunities arising from multilateral environmental agreements.

8. The representative of **Zimbabwe**, speaking on behalf of the **African Group**, reaffirmed the importance of the São Paulo Consensus as a guide for the Commission's work and called for serious and constructive discussion on issues of concern to Africa, including achieving a more open, equitable, rule-based, predictable and non-discriminatory multilateral trading system. Africa was the region most highly dependent on commodities; 65 per cent of

total exports were accounted for by commodities, and about half the African countries derived 80 per cent of their export earnings from commodities. Such dependency rendered economies fragile and vulnerable to price fluctuations. He called on development partners to take full account of that reality in their approach to UNCTAD's work on commodities. On market access, market entry and competitiveness, he expressed concern about continued tariff barriers such as tariff peaks and escalation in the agricultural sector and their impact on development, especially in preventing greater value added of exports and diversification. The Commission should consider constructive proposals on these issues, including proposals on ways to improve market access for African exports in the WTO negotiations on agriculture and non-agricultural products. The market access pillar would need to be addressed in conjunction with supply capacity challenges, competitiveness and infant industries in Africa. Services liberalization did not automatically bring about development benefits, which depended on appropriate preconditions being met, including improved access by the poor to essential services and technological capacity and diffusion. The WTO services negotiations should not alter the structure of the GATS and its special and differential treatment aspects. He drew attention to paragraph 54 of the São Paulo Consensus on insurance and asked for further clarification on the reasons for dissolving the UNCTAD Insurance Branch and reducing the resources devoted to insurance and on the Secretary-General's plans for this area of work.

9. The representative of **Benin**, speaking on behalf of the **least developed countries (LDCs)**, said that the Commission was mandated by the São Paulo Consensus to advance ideas on development cooperation in order to facilitate the integration of LDCs and other developing countries into the international trading system. He highlighted the negative impact of the expiry of the WTO Textiles and Clothing Agreement on LDCs' trade and development prospects. Furthermore, UNCTAD's new Trade and Development Index showed the continued marginalization of LDCs in world trade due, among other things, to worsening terms of trade, lack of adequate infrastructure, weak institutions, and limited supply capacity. For example, from among the 100 countries surveyed, the best placed LDC was Uganda, which was ranked 86th. He welcomed the aid for trade package and hoped it would be translated into tangible benefits for LDCs in terms of improved supply capacity. The outcome of the Sixth WTO Ministerial Conference was welcome, but it had not fully met LDCs' expectations, since certain key problems in the areas of cotton, agriculture, services and NAMA had not been addressed or their consideration had been postponed. The decision on duty-free and quota-free market access had not gone as far as the LDCs had expected, and it therefore needed to be improved further. On commodities, he supported the urgent activation of the International Task Force on Commodities and called on UNCTAD to make a contribution to the implementation of the Sixth WTO Ministerial Conference decision on commodities. He expressed appreciation for UNCTAD's decisive assistance to LDCs in their preparations for the Sixth WTO Ministerial Conference, including the adoption of the Livingstone Declaration setting out the LDCs' platform, assistance to individual countries, JITAP, the Integrated Framework, and provision of analyses and information. On market access, market entry and competitiveness, he reiterated the need to operationalize duty-free and quota-free market access for LDCs, extend the product coverage, and remove non-tariff barriers, particularly those affecting natural-resource-based export products. On trade in services, he reiterated the need to implement in full the modalities for special treatment of LDCs, opening up access to Mode 4 and ensuring policy space. Another barrier to LDCs' exports resulted from voluntary and obligatory environmental norms. A consultative and transparent framework was needed for discussion of such norms among the affected parties, and UNCTAD could play this useful role.

10. The representative of **Austria**, speaking on behalf of the **European Union (EU) and the acceding countries of Bulgaria and Romania**, said the EU was fully committed to playing its part in making UNCTAD an effective organization that would deliver benefits to all developing countries; the ongoing reforms should not diminish the status of UNCTAD but should ensure its efficiency and effectiveness. An effective and efficient session of the Commission would in turn allow UNCTAD to conduct an effective Mid-term Review. The work of the three Commissions constituted building blocks of UNCTAD's work and would be reviewed and evaluated in the Mid-Term Review as part of the "launching pad" approach. The EU looked forward to the presentation and discussions on the thought-provoking Trade and Development Index (TDI). On commodities, the EU supported UNCTAD's continuing work in this area, carried out in close cooperation with other relevant international organizations and agencies. It would be useful for UNCTAD to expand some of its analysis on policy implications, particularly as regards country-specific dimensions, as solutions to problems facing traditional commodity sectors must be implemented in the context of national development strategies. With regard to services, the EU found the analysis contained in the secretariat's document to be relevant. The main challenge facing developing countries was strengthening domestic services capacity, and developing countries that had attracted FDI had participated increasingly in trade in dynamic services sectors. South-South trade in services and the development of regional markets were also important. On trade, environment and development, liberalization of trade in environmental goods offered potential environmental benefits and increased trade – a real and highly visible win-win deliverable. The EU would enhance its technical assistance and capacity building in this area, with a greater focus on the need for developing country exporters to comply with environmental requirements in export markets. She called for strengthened bilateral cooperation among environmental regulators and for increased inter-agency coordination.

11. The representative of **Sri Lanka**, speaking in her capacity as **Chairperson of the Committee of Participants of the GSTP**, reported on the third round of GSTP negotiations, launched at UNCTAD XI, under two technical working groups, one on rule-making and one on market access. On rule-making, it was expected that, in the first semester of 2006, GSTP members would complete their consideration of the draft agreement on certification procedures and administrative cooperation pertaining to the updating of the existing GSTP rules of origin, adopted in the 1980s. GSTP members were also working on the criteria for determining the origin of a product. On market access, GSTP Members expected to reach agreement on the procedures for implementing tariff concessions in the first semester of 2006. This work had received important support from the UNCTAD secretariat, including the provision of requisite trade and tariff data. Specific provisions in favour of LDCs would form an important part of the techniques and modalities for market access. Several countries had expressed interest in joining the GSTP Agreement, including Burkina Faso, Burundi, Haiti, Madagascar, Mauritania, Rwanda, Suriname, Uganda and Uruguay.

12. The representative of **Colombia** reiterated the importance of the BioTrade and BioFuels Initiatives, in particular given their direct impact on the lives of many people. The Biofuels Initiative was a particularly welcome development, as it offered additional incentives in the fight against illicit crops and drugs. The impact of environmental standards was also an important area of work from which many developing countries would benefit.

13. The representative of **Azerbaijan** expressed appreciation to UNCTAD for the informal brainstorming meeting on the development dimension of the Doha Round on 31 January 2006. The event had helped provide a better understanding of the politics and issues

in the Doha Round. He attached great importance to the assessment of trade in goods and services at the national and international levels, as it provided countries with the knowledge necessary to make policy decisions. UNCTAD's work in the area of services was particularly important and should be continued. UNCTAD's expert meetings on trade were also very useful. Accession to WTO remained procedurally complicated and costly, entailing onerous concessions beyond existing flexibilities in WTO agreements and beyond the trade, development and financial capacities of acceding countries. In this regard, UNCTAD's assistance on accession had been of tremendous benefit, and more resources were needed to support such activities. He requested UNCTAD to provide dedicated analyses on the trade concerns, including the costs and benefits of trade liberalization, of landlocked developing countries, especially vulnerable ones like Azerbaijan.

14. The representative of the **Solomon Islands** stated that his country and most other Pacific island countries had specific geographic, economic and trading situations that made them very open to international trade, and despite their constraints, they believed that trade could be an engine of growth and development under the right conditions and with supportive measures from the international community. He therefore looked forward to a policy dialogue and consensus in the Trade Commission that could help improve the contribution of trade to development and attaining the MDGs. He underlined the importance of implementing the decision on duty-free and quota-free treatment for LDC products adopted at the Sixth WTO Ministerial conference, as well as proceeding quickly towards full product liberalization. For LDCs, however, building supply-side capacity to take advantage of increased market access opportunities was more important. The Integrated Framework and the aid for trade initiative could play a useful role in that respect and should thus be put into operation as rapidly as possible. He called on UNCTAD to play an active part in the aid for trade initiative in order to inject it with developmental features. His country had a special interest in the rules negotiations on fisheries subsidies in the WTO, and any new disciplines should not affect the trade and development interests of Pacific island countries. UNCTAD was encouraged to provide assistance in this area. He further emphasized the role of services in the development of Pacific island countries, especially Mode 4 and tourism services, and negotiations in the WTO should advance in these areas.

15. The representative of the **Russian Federation** said that UNCTAD had unique comparative advantages on trade and development issues. In this context, the analysis of developments and trends in the energy sector was of special importance to his country. Energy issues and energy security were also priority agenda items for Russia's chairmanship of the G-8 in 2006. Recommendations by UNCTAD in such areas as ensuring stability of supply, the relationship between energy and sustainable development, and efficient energy- and resource-saving technologies could be of considerable interest. A second area of special interest was WTO accession and the São Paulo mandate to UNCTAD to assist countries in their accession process. That assistance should be expanded to cover post-accession adjustment as well. In the area of commodities, he supported the UNCTAD XI initiative to set up the International Task Force on Commodities, and proposed considering the idea of setting up a working group on steel, as referred to in the report of Expert Meeting on Dynamic and New Sectors of World Trade.

16. The representative of **Thailand** said that UNCTAD could help developing countries in preparing for the Doha negotiations in 2006. The informal brainstorming meeting organized by UNCTAD on the development dimension of the Doha round had been very useful in terms of exchanging ideas and building consensus. Furthermore, through technical

assistance and capacity building programmes, UNCTAD could help countries to define the scope of negotiations and negotiating approaches to environmental goods and services as mandated by paragraph 31 of the WTO Doha Ministerial Declaration. He welcomed the outcomes of the Expert Meeting on Dynamic and New Sectors of World Trade and called on UNCTAD to continue its work on commodities and focus on renewable energy sources, such as biofuel.

17. The representative of **Brazil** expressed support for UNCTAD's work on environmental goods and services, in particular in connection with the negotiations mandated by paragraph 31 of the WTO Doha Ministerial Declaration. He recommended that the secretariat should continue its analysis of the various aspects of the negotiations, in particular on CITES. The secretariat should strengthen its technical assistance and capacity building in developing countries, including through advisory missions and provision of statistics.

18. The representative of **Iraq** highlighted in particular the role played by UNCTAD in supporting Iraq's process of accession to the WTO. He called for further technical assistance and capacity building from UNCTAD, given the tremendous development challenges that Iraq was facing in trying to access world markets and attract FDI.

19. The representative of **China** pointed to the importance of market access, market entry and competitiveness issues, in particular the impact of NTBs. He also underscored the relationship between trade and environment and the attendant impact on development.

20. The representative of the **Economic Commission for Europe (UNECE)** noted the useful cooperation between UNECE and UNCTAD. During the Sixth WTO Ministerial Conference, UNCTAD and UNECE had jointly organized a meeting of all UN agencies where they had agreed to work together during the next two years to organize a joint meeting as a parallel event at the next WTO Ministerial Conference. This would highlight how the UN family could help member States in preparing for WTO negotiations and in implementing the resulting obligations. She highlighted the useful work of the EC-ESA Trade Cluster, chaired by UNCTAD, in facilitating joint strategic planning and decision making among UN agencies active in the area of trade. She also highlighted the role the UNECE played for countries with economies in transition and for developing countries in the development and implementation of uniform norms and standards and in the harmonization of existing technical regulations. This also included work on trade facilitation, often carried out in cooperation with UNCTAD.

21. The representative of **Third World Network** emphasized the unique and important role that UNCTAD played in the UN and international system as the foremost institution assisting developing countries in building their development capacity. He urged UNCTAD to establish the International Task Force on Commodities rapidly. He expressed concern that the Doha negotiations had still not delivered increased market access for developing countries, yet those same countries were being asked to reduce their industrial tariffs and open up significantly in agriculture. Excessive liberalization could lead to dislocation of local firms and farms. UNCTAD should intensify its research and assistance to developing countries on trade policy and negotiations, so that developing countries could minimize the costs and realize the gains.

22. The representative of **Indonesia** said UNCTAD had a prominent role to play in spearheading developing countries' efforts to secure a more favourable trading system that responded to their development imperatives. It could help with the follow-up on the new

Asian-African Strategic Partnership, for example. Also, the Trade Commission's work was important in the context of the MDGs and the WTO negotiations. He endorsed the work of UNCTAD in exploring commodity policies for development, as described in document TD/B/COM.1/75. It would be particularly important to expand the participation of developing countries in global supply chains and expand their commodity supply capacities. Such work would form part of the follow-up to the 2005 World Summit outcome. On market access, market entry and competitiveness, he reiterated the need for continued support for developing countries from UNCTAD in respect of formulating development policies, including on standards and standard setting; negotiations; and work on NTBs and their impact on supply capacity, market access and competitiveness. On services, he emphasized that the global framework on services should allow developing countries to open up at a pace consistent with their level of development. UNCTAD could make valuable contributions in respect of elaborating policies to improve services supply capacity. UNCTAD's pioneering work on Mode 4 should also continue. Furthermore, there was a need for technical assistance in analysing statistical data and building regulatory capacity. He commended the meaningful work of UNCTAD in assisting developing countries to build up their negotiating capacity and participate constructively in the WTO negotiations on environmental goods.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

23. The tenth session of the Commission on Trade in Goods and Services, and Commodities was held at the Palais des Nations, Geneva, from 6 to 10 February 2006.

B. Election of officers

24. At its opening plenary meeting, on 6 February 2006, the Commission elected its Bureau as follows:

President:	Mr. Love Mtesa (Zambia)
Vice-Presidents:	Mr. Miguel Bautista (Philippines)
	Mr. Hussam Al Hussein (Jordan)
	Ms. Carmen Domínguez (Chile)
	Mr. Ludmil Kotetzov (Bulgaria)
	Mr. Andreas Pfaffernoschke (Germany)
Rapporteur:	Mr. Kiminori Iwama (Japan)

C. Adoption of the agenda and organization of work

25. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.1/74. Accordingly, the agenda for the tenth session was as follows:

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

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