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

Held at the Palais des Nations
from 19 to 23 March 2007

Rapporteur: Ms. Dinar Henrika Sinurat (Indonesia)

Speakers:

Minister of Trade and Industry of Benin
Angola for the African Group
Germany for the EU
Belarus for Group D

Benin for the least developed countries
Russian Federation
China

I. OPENING STATEMENTS

1. The **Minister of Trade and Industry of Benin** highlighted key issues that were fundamental for the poverty eradication efforts of developing countries, in particular least developed countries in West Africa. Declining prices of commodities in the international market combined with increasing prices of inputs had rendered many small farmers in Africa uncompetitive in the marketplace and had put their businesses in an unsustainable position. Moreover, agricultural subsidies and domestic support measures in developed countries had detrimental effects on, for example, cotton production and exports in West Africa. That had led to a situation in which small producers of cotton and other commodities were disappearing daily in West Africa, contributing to widening poverty. He requested the donor community to support UNCTAD in helping developing countries to address the development aspects of cotton in order to overcome that dreadful situation while supporting their efforts to remove subsidies under the Doha negotiations on agriculture. He also highlighted the negative impact of the rising oil bill on export competitiveness. There was a need to exploit existing alternative sources of energy, including biofuels, and it was therefore important to assess the environmental and developmental impact of such alternatives.

2. UNCTAD made a valuable contribution to the development process of developing countries, especially by delivering high-quality programmes that strengthened trade policy and negotiations, as well as institutional and regulatory capacities, and in providing training and building national and regional expertise in trade issues. Some examples were training in international trade issues; assistance in multimodal transportation; investment; competition law and policy, including voluntary peer reviews, and in particular support to UEMOA; and the Integrated Framework for LDCs. Owing to UNCTAD's support, UEMOA countries were now well versed in preventing unfair and non-competitive practices, such as hard-core cartels. Non-tariff barriers (NTBs), such as long and complex traceability requirements, were increasingly important barriers in international markets to products exported by developing countries. Hence, UNCTAD's work on NTBs would help improve international market access for developing country products. In that respect, organic products and biotrade products from Africa should also enjoy better access to the European bioproducts market.

3. The speaker noted that the JITAP programme had greatly enhanced Benin's negotiating capacities and should be continued and strengthened. He further expressed support for UNCTAD's involvement in the Aid for Trade Initiative, inviting donors to provide UNCTAD with resources to perform that important role. He observed that if UNCTAD did not exist, it would have been created.

4. The representative of **Angola**, speaking on behalf of the **African Group**, underlined the role of the Commission on Trade in Goods and Services, and Commodities in fostering constructive dialogue that could make a contribution in the lead-up to UNCTAD XII, through clear policy guidelines, options, recommendations and practical support to developing countries. Special attention needed to be given to Africa's needs and interests in view of the continent's continued weak participation in international trade, commodity dependence and inability to take full advantage of trading opportunities under most-favoured-nation treatment or non-reciprocal preferential or regional trade agreements. This included full implementation of the WTO Hong Kong Ministerial Conference decision on duty-free and quota-free treatment for LDCs. Market access alone was not sufficient: it should be accompanied by assistance to improve supply capabilities and address adjustment needs arising from trade reforms. To that end, UNCTAD's active involvement in the operationalization of the Aid for

Trade initiative in trade in goods and services, and commodities was warranted. The need to comply with evolving quality and environmental standards also impeded African countries' ability to penetrate export markets. Special attention needed to be paid to addressing such barriers, including through the Consultative Task Force on Environmental Requirements and Market Access, which was assisting African countries in responding proactively to export market requirements for horticultural products.

5. Raising commodity production and trade to an internationally competitive level was a priority concern for African countries. Africa's commodity economy had its own special problems that required specific measures. Rising prices for some commodities had yielded growing levels of income. At the same time, higher prices for crude oil posed major challenges regarding development prospects. Those challenges had been discussed at the expert meeting on energy in late 2006 and should continue to be examined by UNCTAD, including at the annual African Oil and Gas Conferences. UNCTAD's support in the development of the biofuels market in Africa had been critical, including the partnership with the ECOWAS Bank and the Government of Ghana for the creation of an African Fund for Biofuels.

6. South–South trade, especially interregional trade, remained an untapped potential for African countries which could be addressed, with UNCTAD support, through initiatives such as NAASP (the New Asian African Strategic Partnership), the third round of the GSTP negotiations and IBSA (India-Brazil-South Africa).

7. UNCTAD's work had benefited African countries. Its work on services had added real value to the capacity of many developing countries to assess the implications of services liberalization in both a regional and a multilateral context. UNCTAD had strengthened African countries' capacity to engage more meaningfully in the Doha negotiations and had helped in clarifying complex trade negotiation issues. It had provided assistance to ACP States with the ongoing ACP–EU negotiations on economic partnership agreements. UNCTAD's process of voluntary peer review of competition law was of fundamental value for young competition agencies. The CBTF work on promoting production and trading opportunities for organic agricultural products in East Africa had the potential to promote trade, development and poverty alleviation. Positive economic, social and environmental objectives could be addressed by UNCTAD's BioFuels Initiative, but concerns regarding food security needed to be taken into account. Biofuels and products derived from biodiversity were also areas of potential interest for developing countries.

8. UNCTAD's technical cooperation activities with respect to policy analysis, human resources development and institutional capacity-building were crucial in facilitating development and deserved support from Africa's development partners. Particular mention could be made of JITAP, which should be continued and extended to a wider number of African countries. In conclusion, the speaker stressed UNCTAD's collaboration with other agencies.

9. The representative of **Germany**, speaking on behalf of the **European Union (EU)**, said that the EU attached great importance to UNCTAD's advisory role in trade and development. It supported UNCTAD's efforts to be an effective organization that contributed to genuine improvement in developing countries. He stressed the need for an ambitious, balanced and comprehensive conclusion to the Doha Round, calling on all key partners to act in a spirit of constructive commitment. The Doha Round should lead to additional market access opportunities for developing countries. Also, a comprehensive and enhanced Aid for

Trade package with globally increased financial resources was both necessary in itself and an essential part of the Doha Development Agenda. He welcomed the emphasis placed on South–South regional trade agreements (RTAs), and encouraged UNCTAD to continue and broaden its analysis of such instruments.

10. With regard to commodities, UNCTAD should draft recommendations on specific measures to enable small producers and processors to successfully participate in the global market, including in supply chains, and to reduce excessive commodity dependence over time. The expert group on that topic had made comprehensive proposals that could be taken up. Growing price volatility, inter alia in the energy sector, was another important area where UNCTAD could help to tackle challenges. UNCTAD support could include comprehensive analysis of finance and risk management instruments that had been integrated into the EU Action Plan on Agricultural Commodities for implementation by the World Bank, UNCTAD and others. UNCTAD's efforts to help developing countries to enhance their use of renewable energies, especially the Biofuels Initiative, could make a specific contribution in that connection.

11. The EU shared concerns about the danger that increased use of non-tariff barriers (NTBs) could jeopardize the success of trade liberalization. NTBs affected all forms of trade, and addressing them should be an area of priority and of intensified international cooperation. Nevertheless, that should not in any way restrict the right of countries to put in place legitimate measures to address non-trade concerns. The EU expressly welcomed the establishment of the Panel of Eminent Persons on Non-tariff Barriers and its Multi-Agency Support Team.

12. The EU noted that trade in services continued to grow, in particular within the South–South regional trade agreements (RTAs). It was essential for young services sectors in developing countries to set adequate domestic regulatory and institutional standards so as to benefit from growing international trade in services. RTAs between developing and developed countries, such as the economic partnership agreements (EPAs) that were being negotiated, could help to foster those processes. However, it was necessary to guarantee that such RTAs were in line with the multilateral trading system. Particular attention should be paid to the conclusions of the Expert Meeting on Universal Access to Services.

13. Among the interesting aspects of the field of trade, environment and development, UNCTAD's Consultative Task Force on Environmental Requirements and Market Access for Developing Countries played a special role. It should assist developing countries in elaborating future-oriented strategies, facilitating the exchange of information and examining the role of standards set by private companies, and promote closer cooperation among the international standard-setting organizations.

14. The representative of **Belarus**, speaking on behalf of **Group D**, said that countries with economies in transition continued to face challenges arising from the globalization of the world economy and the rapidly evolving international trading system. Those economies were in the process of advancing and finalizing economic reform aimed at fully transforming them into market economies. While much progress had been made in the privatization and liberalization of those economies, challenges had arisen in terms of designing and implementing appropriate national trade and development policies and regulatory frameworks, as well as effectively participating in, and deriving benefits from, international trade and investment flows, including through multilateral and regional trade agreements and negotiations. Some of those economies had encountered particular difficulties since their

national income per capita remained at a very low level, comparable with that of developing countries or even LDCs. For others, although there had been significant achievements in the reform process, continued efforts were required in order to consolidate and strengthen national capacities in trade-related policy and negotiations. Thus, countries with economies in transition continued to require the support of the international community and UNCTAD with regard to trade and development. UNCTAD's work should be further strengthened and deepened in respect of ensuring development gains from the international trading system, particularly in the following areas: multilateral and regional trade negotiations; accession to the WTO; trade in services, where the temporary movement of natural persons remained the key area; regional integration and cooperation; and the development dimension of intellectual property.

15. The speaker noted with appreciation UNCTAD's analytical work on development benchmarking and had high expectations concerning the refinement of the Trade and Development Index. Competition policy and law was another area of UNCTAD's work benefiting countries with economies in transition, and needed strengthening. Lastly, UNCTAD's work on commodities was also important, especially with respect to energy, and further initiatives in that area should be undertaken for countries with economies in transition.

16. The representative of **Benin**, speaking on behalf of the **least developed countries (LDCs)**, described the marginal place which the LDCs occupied in the global economy and indicated their desire to improve it. On average, LDCs accounted for 0.5 per cent of world exports and 0.7 per cent of world imports. It was necessary to improve their production and supply capacity, so that they could integrate more effectively into the global economy. The long-term decline in the prices of commodities had penalized LDCs' exports. For example, in the first half of 2003, the price of coffee had represented just 17 per cent of the price in 1980, the figures for cotton and copper being 33 per cent and 42 per cent respectively. Diversification and structural transformation in LDCs were essential in order to enable them to benefit from commodities. In that regard, LDCs counted on UNCTAD's support to cotton producers and the cotton initiative in the WTO. Also, the International Task Force on Commodities launched at UNCTAD XI could be a pivotal instrument for assisting developing countries in deriving benefits from commodities.

17. The speaker expressed satisfaction with UNCTAD's support for LDCs in the adoption of the Livingstone Declaration, addressed to the Sixth WTO Ministerial Conference. The valuable assistance of the JITAP programme and the Integrated Framework was underlined. UNCTAD's support to LDCs in trade negotiations had been decisive. The coverage of duty-free and quota-free treatment for LDCs' exports should include those products currently facing tariffs, including agricultural products, fish and timber. Barriers to effective market access were also presented by the increase in non-tariff barriers, and these should be eliminated. The impact of environmental requirements was having a particular effect on LDCs' exports. Over 90 per cent of exports from Kiribati and the Gambia, and almost 80 per cent of exports from Cambodia were affected by environmental requirements. UNCTAD should increase its assistance to LDCs, especially their small and medium-sized enterprises, in adapting to international standard requirements and in addressing non-tariff barriers. Services trade in LDCs was concentrated in traditional sectors with low productivity. There was a need to enhance the contribution of the services sector to development in LDCs, especially through the elaboration of services policies and strategies. Enhancing the participation of LDCs in new and dynamic sectors of world trade was another priority. In that

regard, useful recommendations had been made by the expert meeting on the review of the energy sector.

18. The multilateral trading system offered the best trade opportunities for all countries through application of the most-favoured-nation clause. At the same time, regional trade agreements had evolved and could serve as useful laboratories for information exchange and development of trade rules and strategies, as well as for negotiating strength. Regional integration among developing countries could help to address structural constraints affecting competitiveness, such as economic infrastructure. It was a means of accelerating development and integration into the global economy. Thus, regional integration agreements among developing countries needed to be strengthened. However, it was important to ensure that regionalism and multilateralism did not become contradictory processes.

19. The representative of the **Russian Federation** underlined the need to strengthen the role of UNCTAD as an important forum for intergovernmental dialogue to promote consensus-building on the current problems of international trade in order to foster development. He stressed the highly relevant nature of such issues as non-tariff barriers and trade in services, commodities and energy. The results of Expert Meetings on energy sector review, universal access to services, small commodity producers, and regionalism and multilateralism had provided a solid basis for discussions and policy conclusions. The work of the UNCTAD Secretary-General's Group of Eminent Persons on Non-tariff Barriers was also important. UNCTAD should continue and further strengthen its assistance with pre- and post-WTO accession; develop best practices on trade policies, drawing on the past experience of countries; and analyse the current situation and trends in world goods and service markets, especially with respect to commodities and new dynamic sectors of world trade.

20. The representative of **China** said that the international community should take measures to stabilize commodity prices and promote export diversification in developing countries. It was also necessary to further reduce tariffs, eliminate non-tariff barriers and incorporate fully the principle of non-reciprocity into multilateral trade negotiations, including the Doha Round. All efforts should be made to conclude the Doha Round negotiations successfully. With regard to non-market agricultural access, negotiations should aim at reduction or elimination of high tariffs, tariff peaks and tariff escalation, in particular regarding products of export interest to developing countries. The liberalization of trade in services in sectors and modes of interest to developing countries could be an effective means of achieving the Millennium Development Goals. It was emphasized that environmental measures should not cause barriers to trade in goods and services. Furthermore, developed countries should grant special and differential treatment to developing countries to ensure that they could truly benefit from the multilateral trading system. The Aid for Trade initiative was important since it could ensure that developing countries were helped to transform new trading opportunities into economic growth.

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