



**United Nations Conference
on Trade and Development**

Distr.: Limited
8 June 2011

Original: English

Trade and Development Board
Trade and Development Commission
Third session
Geneva, 6–10 June 2011

**Draft report of the Trade and Development
Commission on its third session**

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I. Chair's summary

Opening of the session

1. The Deputy Secretary-General of UNCTAD, Mr. Petko Draganov, made an opening statement. The Minister of Trade of Indonesia, Ms. Mari Pangestu, made a special presentation by video link entitled "Promoting inclusive growth and sustainable development through trade". Statements were made by (a) the representative of Lesotho on behalf of the Group of 77 and China; (b) the representative of Ghana on behalf of the African Group; (c) the representative of Thailand on behalf of the Asian Group; (d) the representative of the European Union delegation on behalf of the European Union and its member States; (e) the representative of El Salvador on behalf of the Group of Latin American and Caribbean Countries (GRULAC); (f) the representative of Nepal on behalf of the Least Developed Countries (LDCs); and (g) the representative of Paraguay on behalf of the Landlocked Developing Countries (LLDCs). Statements were then given by representatives of the United States of America, China, Cuba and Mozambique.

2. The Deputy Secretary-General of UNCTAD stated that export-led growth remained a priority for developing countries in generating employment and reducing poverty. However, serious structural problems were confronting many developing countries in their efforts to enhance the contribution of trade to overall development, such as increasing commodity concentration, restrictive trade measures, and trade imbalances which were exacerbated by exchange rate misalignments. Moreover, the variability and fragility of the recovery of the global economy and trade in the wake of the recent crisis had raised fears of a double-dip recession. The close interconnections between trade, development and employment underlined the necessity for trade-led growth strategies to be complemented by broad development policies to enhance production capabilities, structural transformation, economic diversification and value-addition. The likelihood of substantial adjustment costs arising from trade liberalization underlined the case for strategic and gradual liberalization, particularly with a view to attenuating job losses in the industrial sectors. With regard to market access for developing countries, reducing tariffs on labour-intensive goods would help create employment, especially for low-skilled workers, and would facilitate diversification into value-adding manufactures. The Deputy Secretary-General noted that the Doha Round could contribute in that regard, but that it may need new approaches in order to move forward, including through an early harvest of issues of key commercial interest to LDCs. Furthermore, the integration of developing countries into global supply chains enhanced their participation in international trade. It required, inter alia, industrial policies with targeted financial and technical support.

3. The Deputy Secretary-General highlighted the new opportunities emerging from green goods and technologies, for which the supply response from developing countries had been significant. He also referred to the important role played by transport in addressing low-carbon-economy imperatives, and the need to promote energy-efficient transport, favouring investment in low-carbon and climate-resilient infrastructure and operations. He emphasized that UNCTAD XIII could aim to contribute to the United Nations Conference on Sustainable Development being held in 2012.

4. In her presentation by video link, the Minister of Trade of Indonesia, Ms. Mari Pengestu, stressed the importance of ensuring open trade and investment in facilitating the recovery in the global economy and contributing to inclusive growth. She emphasized that the increased role of developing countries in the global recovery – especially emerging economies – brought new opportunities for enhanced South–South trade. Such trade had been growing dynamically in recent times. At the international level, inclusive growth through trade implied integrating more countries into the international trading system, and at the national level, it implied integrating poverty-sensitive sectors and communities such

as women, and creating jobs. National, regional and multilateral policies must be linked in a coherent package. The conclusion of the Doha Round under a single undertaking was important in further opening markets, but that may require more time. A package could be carved out in 2011 for LDCs at the Eighth WTO Ministerial Conference, while other issues on the Doha agenda could be concluded in the future. The conclusion could also help remove certain distortions in some sectors, such as agriculture. The package for LDCs would need to include duty-free quota-free treatment with simple rules of origin. Such treatment should also be provided in the regional context. A strengthened multilateral trading system could stop protectionism from impeding flows of trade and investment. This was needed, in view of the slight increase recently in the protectionist trend.

5. Ms. Pangestu stated that the benefits of liberalization were not necessarily broad-based or equitably distributed across populations, sectors and enterprises. Therefore, it was necessary to ensure that trade led to benefits that were inclusive nationally, if it was to serve as a true means to development. Some key issues for developing countries in regard to achieving inclusive growth through trade were (a) job creation in all sectors and not just in export-oriented ones; (b) providing better support for SMEs; (c) providing effective social safety nets, bearing in mind the large number of people in the informal sector; and (d) integrating women into global trade activities, through better education and equal access to capital, markets and enterprises. Multilateral climate-change commitments should be achieved, but these should not permit increased protectionism. With regard to trade and sustainable development, a key issue was product standards. These needed to be developed in a transparent manner and have common features, otherwise they could disrupt trade. The production of coconut palm oil in Indonesia was an example where dialogue with European importers and the use of independent process auditors were facilitating the transition towards sustainable production. There was also a need to allow time for producers in developing countries to adjust to the new standards, and for provision of Aid for Trade to meet the standards.

6. Many delegations stressed that the recent economic and financial crisis had had a seriously adverse impact on development, and that even if the global economy and global trade had begun to rebound, many LDCs, LLDCs, and other structurally weak, vulnerable and small economies were continuing to struggle to put their economies onto a sustained development path, create employment, and reduce poverty. World trade had rebounded strongly in 2010, expanding by 12 per cent. However, distribution of the benefits of trade growth had varied among countries and regions. Services trade had increased too, but with performance varying by region. Commodity exports had become more concentrated. Developing countries – especially the emerging economies – were recovering faster, and were serving as demand sources and export destinations for the world economy. It was stated that countries existed along a continuum of development, and that each one had its own unique set of needs and challenges. These experiences underlined the fact that trade and development were closely interlinked and mutually reinforcing. Such linkages necessitated policy coherence (i.e. between trade, industrial, agricultural and services policies), as well as integrated development approaches. Delegates expressed appreciation for the work carried out by UNCTAD in that regard.

7. It was noted that the recovery remained fragile and could be further adversely affected by the threat of protectionism and by the stalemate in the Doha Round, which was a major concern for all. LDCs and other structurally weak, vulnerable and small economies were at particular risk of being affected. Despite reinvigorated efforts to complete the Round by the end of 2011, there was the possibility for further delay. Most delegations thus agreed that concluding the Doha Round on the basis of its full mandate was important, in order to strengthen the multilateral trading system, prevent protectionism, and lay the basis for sustained trade recovery and economic growth. New approaches could be considered to advance the negotiations and bring about inclusive development outcomes: for example, an early harvest in areas that would be easy to agree on, such as duty-free quota-free market access for LDCs and simplifying rules of origin, providing implementation capacities for

trade facilitation, special and differential treatment, and services – especially mode 4. The need for concrete support through Aid for Trade, especially for LDCs, and through the Enhanced Integrated Framework, was also stressed.

8. Some delegations stated that in the medium term, it would be imperative to review the conventional focus of the multilateral trading system on trade liberalization and to align it with broader development objectives on productive capacities, employment generation, and development. Furthermore, they noted that such a realignment should be undertaken in the Doha Round. A free and fair trading system could be an effective engine for growth, poverty reduction, and improvement in living standards.

9. Several delegations expressed concern over the long delays in concluding negotiations on the accession of developing countries to the World Trade Organization (WTO). Such negotiations should be accelerated, and commitments undertaken by developing countries should be comparable to the commitments by countries at a similar level of development that are currently members of WTO.

10. Delegates stated that services trade and development played an important role in enhancing and diversifying supply capacities, and in creating competitive and efficient economies.

11. Delegates noted that it was essential to build services supply capacities – including infrastructure services – that would facilitate flows of trade and make trade transactions cost-effective, especially in LDCs. Comprehensive national services development policies and plans should be drawn up and implemented. UNCTAD's work and support in the area of services trade and development was acknowledged.

12. Some delegations emphasized that concrete implementation of the Istanbul Programme of Action, which came out of the Fourth United Nations Conference on the Least Developed Countries (LDC-IV), could promote the productive capacities of LDCs and the fuller integration of LDCs into the global trading system.

13. The importance of South–South trade was highlighted by several delegations. It was stated that growth in South–South trade should receive a further boost from the conclusion of the São Paulo round of negotiations under the Global System of Trade Preferences among Developing Countries (GSTP). UNCTAD's support for the GSTP was commended.

14. Delegations commended UNCTAD on its continuing work on the evolution of the international trading system, on its thorough analyses, and on its support for developing countries to benefit from better integration into the global trading system. Delegations requested UNCTAD to continue to provide technical assistance on policy matters relating to regional and multilateral trade negotiations and liberalization, taking into account fully the needs of developing countries and LDCs.

15. Some delegations noted that participation in global supply chains increased with openness in trade and with supportive measures – especially financial and industrial policies aimed at investments in education and infrastructure. They welcomed the secretariat's ideas on the elements that were essential in order to build trading capacities in developing countries (including supply-side capacity-building) that were likely to improve competitiveness, growth and integration. Regional integration, a good business environment, developing domestic markets, trade facilitation (especially improved transport and logistics), technology transfer, investment, public–private partnerships, gender mainstreaming, increased Aid for Trade and official development assistance (ODA), more effective utilization of the Enhanced Integrated Framework, building human resources, and the role of the State were also noted as important elements. The private sector was seen as the main driver of the supply chain, and therefore needed to be supported by governments. Support also needed to be provided to small and medium-sized enterprises (SMEs) and to women – through access to finance, markets, networks, and compensatory measures for liberalization. The importance of technology, information and communications

technologies (ICTs) and innovation, in enhancing developing countries' competitiveness and their integration into global value chains, was noted.

16. Most delegations recognized that inefficient and inadequate transportation, logistics, trade-related infrastructure and services could severely impede a country's ability to compete on a global scale. Access to cost-efficient and sustainable international transport infrastructure and services remained a major challenge for developing countries. Those difficulties were compounded by increases in the price of oil, and by concerns relating to climate change and its impact on transport. There was a need for increased understanding of these issues and of their economic impacts, with a view to adopting the requisite transport-related policies. It was noted that UNCTAD should reinforce its work relating to the nexus between energy-related development issues, transport costs, and climate change. Another important issue calling for attention was the need to build the resilience of transport infrastructure to adapt to current and potential climate-change impacts on for LDCs, LLDCs and small island developing States (SIDS). Equally important was the role of the private sector in developing and maintaining transport infrastructure, including through public-private partnerships (PPPs). Additionally, the transport and trade facilitation reforms that were being pursued at the multilateral, regional and national level were crucial to reducing both barriers to trade and costs. UNCTAD was encouraged to continue its support to promote transport, trade facilitation and infrastructure development, including through the TrainForTrade Port Training Programme.

17. With regard to the expert meetings, it was noted that these meetings raised important policy issues for member States and pointed to areas for further research by UNCTAD. One delegate noted that experts participated in their own personal capacity at such meetings, and that the outcomes of the meetings should therefore be seen in that perspective. Appreciation was expressed for UNCTAD's efforts in convening and servicing the Sixth United Nations Conference to Review all Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices, which had reaffirmed UNCTAD's unique role in the United Nations system in promoting policy and regulations to address anticompetitive practices and to enhance consumer welfare.

18. Some delegations expressed appreciation for the level of implementation, the outreach to a large number of developing countries, and the emphasis on practical policy options, in UNCTAD's activities as noted in the secretariat's activity reports on the implementation of the Accra Accord in 2010 in the areas of trade, commodities, transport and trade facilitation, and training.

II. Organizational matters

A. Opening of the session

1. The third session of the Trade and Development Commission was opened at the Palais des Nations, Geneva, on 6 June 2011, by Ms. Erika Koszegi (Hungary), Vice-Chair of the Commission at its second session.

B. Election of officers

(Agenda item 1)

2. At its opening plenary meeting, on 6 June 2011, the Commission elected the following officers to serve on its Bureau:

- Chair:** Dr. Tom Mboya Okeyo (Kenya)
- Vice-Chairs:** Mr. Bakary Junior Bamba (Côte d’Ivoire)
Mr. Vu Anh Quang (Viet Nam)
Ms. Olivera Jovic (Serbia)
Mr. Wolfgang Rechenhofer (Germany)
Mr. Carlos Fidel Martín Rodríguez (Cuba)
- Rapporteur:** Mr. Shiro Konuma (Japan)

C. Adoption of the agenda and organization of work

(Agenda item 2)

3. At its opening plenary meeting, the Commission adopted its provisional agenda (TD/B/C.I/14). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Reports of expert meetings:
 - (a) Reports of the multi-year expert meetings:
 - (i) Multi-year Expert Meeting on Commodities and Development
 - (ii) Multi-year Expert Meeting on Services, Development and Trade: the Regulatory and Institutional Dimension
 - (iii) Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration
 - (iv) Multi-year Expert Meeting on Transport and Trade Facilitation
 - (b) Report of the Intergovernmental Group of Experts on Competition Law and Policy
 - (c) Reports of the single-year expert meetings:
 - Expert Meeting on Maximizing the Development Impact of Remittances
4. Assessing the evolution of the international trading system and enhancing its contribution to development and economic recovery
5. Integration of developing countries in global supply chains, including through adding value to their exports
6. Promoting and strengthening synergies among the three pillars
7. Other business
8. Adoption of the report of the Commission to the Trade and Development Board