

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
Division on International Trade in Goods and Services, and Commodities

ACTIVITY REPORT 2005:

Major outputs and lessons learnt

Note by the UNCTAD secretariat

Executive summary

This is the second annual activity report prepared by the Division on International Trade in Goods and Services, and Commodities. It provides a survey of some the main outputs delivered in 2005 and lessons learnt, in compliance with the provisions contained in subprogramme 3 on International Trade under Section 12 (Trade and Development) of the United Nations programme budget for 2004-2005, and implementation of UNCTAD XI consensus. It provides detailed information on an illustrative list of outputs and activities of the Division to facilitate review by member States and other interested entities.

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I: OBJECTIVE OF THE SUBPROGRAMME ON INTERNATIONAL TRADE

To improve understanding of current and emerging issues in international trade of concern to developing countries and to enhance ability to address those concerns in the areas of agriculture, services, electronic commerce, competition law and policy and the trade-environment-development nexus, with a view to assisting developing countries to integrate themselves more fully into, and derive benefits from, the international trading system and to increasing their participation in world trade. (Objective of the subprogramme, Table 12.15 in document A/58/6 Sect.12).

1. The subprogramme on international trade falls under the responsibility of the Division on International Trade in Goods and Service, and Commodities (Division hereafter). The Division is comprised of the Office of the Director and five Branches, namely: Commodities; Competition and Consumer Policies; Trade Analysis; Trade, Environment and Development; and Trade Negotiations and Commercial Diplomacy. The annual activity report is prepared by the Division to provide snapshot surveys of some of the main outputs delivered in 2005 and lessons learnt, in compliance with the provisions of subprogramme 3 on International Trade under Section 12 (Trade and Development) of the United Nations programme budget for 2004-2005, and as part of the implementation of the UNCTAD XI results as mandated by the Spirit of São Paulo and the São Paulo Consensus. The 2005 Activity Report is the second one prepared by the Division, the first one being the Activity Report for 2004 (UNCTAD/DITC/MISC/2004/24).

2. In 2004, UNCTAD XI resulted in the adoption of the Spirit of São Paulo and the São Paulo Consensus which marked a paradigm shift in emphasizing the *qualitative* integration of developing countries, especially the least developed countries (LDCs), African countries, and countries with special developmental needs, into the international trading system. Consistent with this UNCTAD XI emphasis, embodied in the São Paulo Consensus' sub-theme on "assuring development gains from the international trading system and trade negotiations", an important array of analytical, technical and intergovernmental consensus building activities was carried out in 2005. In the delivery of its activities and, as and where appropriate, the Division cooperated with other United Nations organizations, the academia, private sector and civil society. Its capacity-building programmes benefit from financial support from developed countries and donor institutions. Inter-agency cooperation and donor support have been useful in efficient delivery of activities, avoiding duplication, and enhancing and widening impact in countries.

3. 2005 was noteworthy because of the 5-year review by UN Member States of the implementation of the UN Millennium Declaration and the Millennium Development Goals (MDGs). The important contribution of trade was highlighted and developing countries were assisted by the Division in participating effectively in the mid-term review by the 2005 World Summit (New York, September), especially as regards the realization of the commitment in Goal 8, to an open, equitable, predictable, non-discriminatory and rule-based multilateral trading system. For example, substantive support was provided to the Group of 77 and China on the trade and MDGs interface in preparation for the second South Summit (Doha, June), and the Ministerial Meeting on the Challenges of Asia and Pacific Countries in Achieving the Millennium Development Goals in 2015 and Beyond (Djakarta, August). Inputs were provided to the "Millennium Project" Task Force on Trade and its report on "Trade for Development". During the ninth session of the Commission on Trade in Goods and Services, and Commodities, a high-level segment was held on Trade and MDGs (Geneva, 14 March). It concluded, *inter alia*, that trade is a particularly powerful development tool for developing countries. However, these

countries, especially LDCs, and those with weak and vulnerable economies, will only be able to take advantage of the full potential of trade if they have the necessary competitive capacities in trade in goods and services; transport infrastructure; efficient administrative procedures; human and financial resources; and appropriate domestic policies and regulatory frameworks. Therefore, efforts to increase trade need to be accompanied by parallel investment in supply side and related economic and social infrastructure.

4. Technical assistance provided by the Division under a development account project promoted awareness of the contribution of trade to the attainment of the MDGs in terms of the sixth WTO Ministerial Conference for Arab States, including Palestine (Amman, September), competition policy for countries with economies in transition (Baku, September), and commodities for African countries and LDCs (November). The Division participates in the Inter-agency and Expert Group (IAEG) on MDG Indicators of the UN Secretariat as a whole, UN specialized agencies and other international organizations. In the IAEG, UNCTAD, together with the WTO and the International Trade Centre (ITC), provide data and analysis for two of the 16 indicators set out to measure progress towards the achievement of Goal 8, namely Indicator 38 on the "*Proportion of total developed country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duties*", and Indicator 39 on "*Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries.*"

5. In the translation of expected development gains from trade negotiations into trade and welfare improvement, UNCTAD assisted developing countries in their participation particularly in the Doha Round and the Global System of Trade Preferences (GSTP) among developing countries (see Box 1). As regards the Doha Round, upon request, UNCTAD assisted developing country preparatory meetings for and participated in the sixth WTO Ministerial Conference in Hong Kong, China (13–18 December). UNCTAD's Secretary-General delivered a statement for the Secretary-General of the United Nations at the opening session of the conference.

Box 1. Global System of Trade Preferences among developing countries

The GSTP provides an ideal instrument for developing countries, including LDCs, to secure preferential market access into the growing markets in the South. References to GSTP abound in many political declarations including the 2005 World Summit, the second South Summit and the African Union Trade Ministers Meeting (June). As of end of 2005, market access negotiations continued on the techniques of exchanging concessions (request and offer, linear cuts), and a draft on administrative arrangements on rules of origin is being finalized. Burkina Faso, Burundi, Madagascar, Suriname, Rwanda, Haiti, Uruguay, Mauritania and Uganda have applied for accession. Progress in negotiations in first half of 2006 is critical to meet the end of 2006 deadline for the conclusion of the GSTP negotiations. UNCTAD services the GSTP agreement and its third round of negotiations launched at UNCTAD XI.

6. The ninth session of the Commission on Trade in Goods and Services, and Commodities (Geneva, 14–18 March) dealt with three key items namely, market access, market entry and competitiveness; trade in services and development implications; and trade, environment and development.¹ The Commission assessed the various topics under discussion, drawing upon

¹ See the Report of the Commission on Trade in Goods and Services, and Commodities, on its ninth session (TD/B/COM.1/73).

background notes provided by the Division. It also reviewed the implementation of agreed conclusions and recommendations of the Commission, including on the post-Doha follow-up, based on a report by the Division.² The Commission considered the reports of expert meetings held during 2004 and 2005 on financing commodity-based trade and development; professional services and regulatory frameworks; and new and dynamic sectors of world trade. It requested UNCTAD to continue its policy-oriented analysis and capacity-building activities including on the Doha negotiations and WTO accession, to assist developing countries in preparing for the mid-term review of the Millennium Development Goals, and to convene expert meetings on new and dynamic sectors of world trade, non-tariff barriers, and distribution services, as well as an *ad hoc* expert group meeting on insurance services. The Commission decided that annual sectoral reviews should continue to be held by an expert meeting.

7. The Division commenced preparations for the tenth session of the Commission to be held from 6–10 February 2006.

8. The Division contributed to the work of the Working Party on the Medium-Term Plan and Programme Budget in 2005 at its 44th and 45th sessions. It included consideration of the Section 12 (Trade and Development) of the Draft Programme Budget for the Biennium 2006-2007 (44th session, 31 January–2 February, and 44th resumed session, 30–31 May). The Division reported to the 45th session on its technical assistance and capacity-building programme and activities. The Working Party also considered the in-depth evaluation undertaken by independent evaluators of the training courses on key issues on the international economic agenda (Para 166 of the Bangkok Plan of Action). The independent evaluation report found that the record of the training courses was generally very positive and that they were an innovative product on the market for technical assistance services in trade policy, fully meeting their objectives in terms of efficiency, effectiveness and relevance. The Division contributed to the provision of several of the courses. In 2006, an independent evaluation will be carried out on a key programme of the Division, namely its support to countries in the WTO accession process.

9. The Division, for UNCTAD, is the convener of the Working Group on Trade of the Executive Committee on Economic and Social Affairs (EC-ESA). The Working Group is composed of UNCTAD, DESA, UN Regional Commissions and UNEP. It meets to enhance cooperation among the key UN economic agencies with a view to bringing about greater synergy in the provision of trade and trade-related support to developing countries and countries with economies in transition. In 2005, the group was active in two domains. Firstly, it helped members in coordinating support to developing countries' preparations for the sixth WTO Ministerial Conference. At the Ministerial Conference in Hong Kong, China, a Working Group met with other UN organizations (15 December) and an agreement was reached to coordinate the UN's participation in the seventh WTO Ministerial Conference. Secondly, the Working Group extensively discussed, exchanged information, and identified areas of cooperation to ensure greater coherence in elaborating responses to the 2005 World Summit Outcome in respect of trade.

² Progress report on the implementation of agreed conclusions and recommendations of the Commission, including post-Doha follow-up (TD/B/COM.1/69); and the Division's Activity Report for 2004.

II: TRADE NEGOTIATIONS AND COMMERCIAL DIPLOMACY BRANCH

Strengthened capacities of developing countries and countries with economies in transition to formulate, articulate and implement appropriate policies and strategies to participate effectively in, and derive maximum benefit from, international trade and, in particular, multilateral trade negotiations as well as in achieving progress in the process of accession to WTO. (Expected accomplishment (a) of the subprogramme, Table 12.15 in document A/58/6 Sect.12).

A: Major outputs and activities

10. The Branch systematically mainstreams development into international trade and trade negotiations through intergovernmental deliberations and consensus building, research and analysis, and technical assistance and capacity-building activities. Outputs and activities are geared towards the implementation of São Paulo Consensus (TD/410) on assuring development gains from international trade and trade negotiations, in particular, paragraphs 95, 96, 97, 98, 99, 101, 102, 105 and 108.³

(1) Intergovernmental deliberations and consensus-building

- *United Nations General Assembly*

11. Each year, the Branch drafts the Report of the UN Secretary-General on “International Trade and Development”, which is discussed by the UN General Assembly and serves as the basis for deliberation on, and adoption of, the resolution on International Trade and Development. Accordingly, the report drafted (A/60/225) discussed the Doha Round in light of the sixth WTO Ministerial Conference, and the interface with development and poverty reduction objectives of the MDGs. The report was considered by the 60th session of the General Assembly, which subsequently discussed and adopted a resolution (A/RES/60/184, 22/12/05).

- *Trade and Development Board*

12. The Trade and Development Board has conducted an annual review of development issues in the post-Doha work programme of particular concern to developing countries since 2002. At its 52nd session (October), the Board conducted a review of the progress in implementing the 1 August 2004 Decision of the WTO General Council, based on the Secretariat's report.⁴ It highlighted that progress in the multilateral trading system should be linked to progress in accomplishing internationally-agreed development goals, including the Millennium Development Goals.⁵ Several countries emphasized that economic development requires flexibility in trade liberalization, institutional innovations, investment in human capital and development-oriented infrastructure, universal access to essential services, and supply-side competitiveness so as to enable developing countries to achieve their development objectives at a pace consistent with their level of development.

³ See section on subprogramme 3: International Trade in "Implications of the outcomes of UNCTAD XI for the work programme for 2004-2005" (TD/B/WP/174).

⁴ Review of developments and issues in the post-Doha work programme of particular concern to developing countries (TD/B/52/8).

⁵ For details on the deliberations, see President's Summary, "Review of developments and issues in the post-Doha work programme of particular concern to developing countries" (TD/B/52/L.6).

- *Commission on International Trade in Goods and Services, and Commodities, and expert meetings*

13. The Branch assisted in servicing the ninth session of the Commission on Trade in Goods and Services, and Commodities as regards the topic on trade in services and development implications. It prepared a report on "Trade in services and development implications" (TD/B/COM.1/71), serviced the intergovernmental deliberations on the topic, and assisted the reporting on the expert meeting on trade and development aspects of professional services and regulatory frameworks⁶, as well as the results of the Expert Meeting on New and Dynamic Sectors (7–9 February), particularly in terms of IT-enabled services and inter-linkages with other modes of service supply.⁷ The Branch also briefed the Commission on its ongoing analyses, as mandated by the São Paulo Consensus, in the area of rule-making in terms of the emergency safeguard mechanism and subsidies in services. It furthermore presented a preliminary account of its work on assessment of services and development benchmarking in services.

14. As agreed by the ninth session of the Commission, the Branch prepared and serviced the Expert Meeting on Distribution Services (16–18 November).⁸ It prepared a Background Note on Distribution Services (TD/B/COM.1/EM.29/2) which draws policy lessons for facilitating developing countries' access to global distribution channels for their goods and services. The Branch also prepared and serviced an *ad hoc* expert meeting on insurance services (24 November). A note was prepared for the meeting on the Trade and Development Aspects of Insurance Services and Regulatory Frameworks.⁹

15. The Branch prepared a policy paper for the tenth session of the Commission in 2006 on "Trade in services and development implications" (TD/B/COM.1/77) to serve as the background note to the Commission's deliberations on the same topic.

(2) Participation in WTO-related activities

16. The Branch continued to participate in, report on, and provide inputs (when requested) to meetings of WTO bodies, including the General Council, Goods Council and its subsidiary bodies, Services Council, TRIPS Council, Committee on Trade and Development, Sub-Committee on LDCs, Committee on Regional Trade Agreements, Textiles Monitoring Body, WTO Accession-related meetings, and the Trade Policy review body. It also contributed to developing country preparatory meetings for and participated in the sixth WTO Ministerial Conference.

(3) Technical documentation

17. The following are among the key technical documents and publications prepared by the Branch, in addition to those prepared for intergovernmental or other meetings:

⁶ TD/B/COM.1/EM.25/3.

⁷ TD/B/COM.1/EM.26/3.

⁸ See Report of the Expert Meeting on Distribution Services (TD/B/COM.1/EM.29/3).

⁹ UNCTAD/DITC/TNCD/2005/15.

- ✓ Trade capacity development for Africa: compendium of papers, trade negotiations and Africa series: No.2 (UNCTAD/DITC/TNCD/2005/1).
- ✓ Moving professionals beyond national borders: mutual recognition agreements and the GATS (UNCTAD/DITC/TNCD/2005/2).
- ✓ Weaving a new world: realizing development gains in a post-ATC trading environment (UNCTAD/DITC/TNCD/2005/3).
- ✓ Emergency safeguard measures in the GATS: beyond feasible and desirable, (UNCTAD/DITC/TNCD/2005/4, 09/04/05).
- ✓ Assuring development gains from the international trading system and trade negotiations: summary of the debate and collection of statements submitted at the UNCTAD XI interactive thematic session (UNCTAD/DITC/TNCD/2005/5).
- ✓ Multilateralism and regionalism: the new interface (UNCTAD/DITC/TNCD/2004/7).
- ✓ Developments and issues in the Doha Work Programme of particular interest to Arab countries in the context of the Millennium Development Goals (UNCTAD/DITC/TNCD/2005/9).
- ✓ Developments and issues in the negotiations on Economic Partnership Agreements between African ACP States and the EU (UNCTAD/DITC/TNCD/2005/11).

(4) Advisory services, technical assistance and capacity-building

18. The Branch implements a wide-ranging envelope of technical assistance and capacity-building activities, with extra-budgetary support from donor countries and agencies, for developing countries, especially LDCs and African countries, as well as countries with economies in transition.¹⁰ It participated in the Division-wide support to developing countries' engagement in the preparatory process for the 2005 World Summit. In the framework of Doha negotiations, and upon request, UNCTAD assisted developing countries in their preparations for the sixth WTO Ministerial Conference in Hong Kong, China. UNCTAD contributed to the second South Summit (June), the African Union Trade Ministers, Meeting in Cairo (June) and in Arusha (November), the LDCs Trade Ministers' Meeting in Livingstone (June), Meeting of Trade Ministers of Landlocked Developing Countries (August), the Arab States Ministerial Meeting in Amman (September), and the ACP Trade Ministers Meeting (November). The Arab Ministerial Meeting was implemented under a development account project, and also focused attention on the linkages between trade negotiations and achievement of the MDGs in the Arab region. For the meetings of the African Union, LDCs and Arab States, UNCTAD provided substantive background notes and CD-ROMs containing trade and economic data.

19. In addition, various technical meetings and seminars were organized for individual countries (e.g. Nigeria, Zimbabwe, United Republic of Tanzania, Cameroon, Kenya, Ghana, Uganda, Mali, Zambia) or country groups like LDCs, COMESA (Common Market for Eastern and Southern Africa) and SADC (Southern African Development Community). UNCTAD, together with the Indian Ministry of Commerce, supported by UK-DFID, has assisted the Government of India in engaging greater national stakeholder involvement in the Doha negotiations and developing strategies to take advantage of emerging trade opportunities. The project facilitated various stakeholder consultations with NGOs, civil society, parliamentarians, media in preparation of the sixth WTO Ministerial Conference. Under the project, activities are being implemented to enhance national and sub-national capacity to formulate export strategies at

¹⁰ The list of activities implemented in 2004/2005 can be consulted at: www.unctad.org/commdip.

selected product/sector level (textiles and clothing, agriculture, marine products, SMEs, and retail services), grounded on realistic assessments of supply capacities and international demand and an understanding of international commercial practices and standards. UNCTAD also continued to provide support in trade negotiations between the ACP (African, Caribbean and Pacific) and the EU; the FTAA (Free Trade Area of the Americas); regional trade negotiations among developing countries; accession to the WTO; WTO dispute settlement; and the GSP (Generalized System of Preferences), and other trade preferences.

Box 2. Joint Integrated Technical Assistance Programme (JITAP)

JITAP is a unique partnership for development programme, executed jointly by ITC, UNCTAD and WTO, aimed at building sustainable capacities for effective and enhanced participation of partner African countries and their enterprises in the multilateral trading system. In 2005, JITAP assisted beneficiary countries in undertaking national preparations for the sixth WTO Ministerial Conference with the significant involvement of local stakeholders, which was preceded by a regional meeting (Geneva, 19–22 July) on the Doha negotiations of key members of inter-institutional committees from the 16 JITAP countries. Such preparations helped these countries to be effective interlocutors at Ministerial preparatory meetings of African countries, LDCs and Arab States. Impact studies on WTO Agreements have been completed for Botswana (UNCTAD/DITC/TNCD/2005/17), Malawi (UNCTAD/DITC/TNCD/2005/18) and Zambia (UNCTAD/DITC/TNCD/2005/16). A side event on JITAP was held at the sixth Ministerial Conference (14 December) to exchange experiences. It emerged from the deliberations that JITAP has assisted beneficiary countries in better understanding, developing and adjusting policies, measures, institutions and resources to utilize trade liberalization as an engine of trade expansion, development and poverty reduction. Reference centres on the multilateral trading system and national enquiry points have been established, strengthened and operationalized in most of the 16 beneficiaries. Over 360 professionals (including about 91 women) in partner countries were trained and acquired deeper knowledge and negotiating skills on the multilateral trading system. Export sectors strategies of partner countries have been developed that will facilitate export development.

20. Some of the specific projects include assistance to countries acceding to the WTO; commercial diplomacy activities; services negotiations projects as well as assistance to Geneva-based trade negotiators on an individual basis and for groups of developing countries; dispute settlement in international trade, investment and intellectual property; JITAP for 16 African countries (see Box 2); and a UNDP-financed capacity-building programme for trade development in Africa (through which the Branch organized, provided negotiating briefs and serviced workshops on respectively services (25–26 April, Geneva) and non-agricultural market access and agriculture (NAMA) (29 June-1 July, Nairobi). Training activities for representatives of governments, private sector, training institutions, and civil society in developing countries comprise an important aspect of technical support. Thus, three training modules have been developed or updated on SPS (sanitary and phytosanitary) measures, Anti-dumping, and Trade in Textiles and Clothing in the post ATC environment. Other training materials such as powerpoint presentations, background papers, and distance-learning materials have been developed and provided to participants. A distance-learning dimension has been incorporated in the training of trade negotiators involved in WTO negotiations, supplemented by face-face follow-up seminars. This included a regional course for trade officials involved in the WTO negotiations on trade in services from three Asian countries (Vietnam, Laos and Cambodia) and four African countries (Benin, Guinea, Mali, and Togo).

21. Support on WTO accession is a major area of UNCTAD's technical assistance programme. The Branch continued to assist 16 acceding countries, including all acceding LDCs. This assistance included advisory missions, training of officials in WTO-related issues, procurement of IT equipment and the provision of consultants in specific areas to assist the negotiating team. Technical and advisory missions were undertaken, for example, to Azerbaijan, Bhutan, Cape Verde, Ethiopia, Laos, Sudan and Yemen, to assist them in their preparations for their working party meetings. Intensive training sessions were organized in Geneva and in capitals for members of the negotiating team to prepare their participation in the Working Party on Accession. A workshop on accession was organized in Yemen involving all acceding LDCs and two newly acceded LDCs (Cambodia and Nepal), with the participation of representatives of the private sector and civil society. Support was provided to Vietnam in achieving trade-related capacity-building through training of trainers in the area of trade negotiation. Assistance provided focused on the post-accession needs and on the specific needs of the training institutions of the country.

22. Under a project on Dispute Settlement in International Trade, Investment and Intellectual Property, the Branch implemented activities including: (i) production and dissemination of training modules in the areas of international trade, investment and intellectual property and related training programmes;¹¹ and (ii) provision of pertinent and focused training on Dispute Settlement in International Trade, Investment and Intellectual Property. The beneficiaries of the assistance are government officials, lawyers and trade negotiators, academics, legal practitioners, lawyers representing trade associations, corporations and law firms and business people from developing countries. In 2005, some 90 governmental and non-governmental professionals from 30 countries, 10 out of which were LDCs, were trained in two regional workshops in Asia (18–21 July on investment disputes) and Africa (31 October–2 November on agriculture). Over one third of participants were women.

23. The Branch launched a series of interactive and open meetings aimed at making WTO panel and Appellate Body rulings more accessible to trade negotiators and other affected stakeholders. Two lunchtime meetings have been held so far; one on the US - Gambling case and the other on the EC - Sugar case. Speakers included academics and practitioners working on international trade, as well as delegates and staff from intergovernmental organizations in Geneva. Participation is open to delegates, intergovernmental organizations, NGOs and academics.

24. The Branch continued its work on trade preferences, South–South trade and the interface between regional trade agreements and the multilateral trading system. It assisted developing countries and/or their regional groupings in increasing the utilization of the trading opportunities provided under existing preferential arrangements such as the GSP, the Cotonou trade regime and other bilateral arrangements, including through addressing rules of origin requirements. It produced a publication on “Multilateralism and regionalism: the new interface” addressing policy issues on the interface between aspects of regional trade agreements and WTO rules.

25. In addition to its ongoing administration of notifications received from member States on certificates of origin and changes in GSP schemes, the Branch conducted, upon request, advisory services, briefing sessions and workshops for Oman, Yemen and China on GSP schemes and rules of origin. It also provided technical support in compiling trade and tariff information related

¹¹ Some 10,000 electronic materials (CD-ROM) and hard copies of training modules on substantive issues in trade and investment dispute settlement were developed and disseminated.

to GSP schemes. These activities were directed at providing traders and government officials with increased awareness and better understanding of trading opportunities available under respective GSP schemes, and assisting them to comply with rules of origin and other administrative requirements. The Branch also prepared publications aimed at facilitating the utilization of GSP schemes, including an updated list of beneficiary countries under various GSP schemes (UNCTAD/ITCD/TSB/Misc.62/Rev.1). It has also been engaged in updating handbooks of various GSP schemes, which provide user-friendly guides to individual GSP schemes.

26. Assistance on issues involved in building services supply capacities and policy framework continued to be provided by the Branch to developing countries, particularly LDCs, and countries with economies in transition. This was implemented through more than twenty meetings and technical assistance missions, including through facilitating consultations, aimed at promoting services policy formulation at the sectoral level and in overall terms. Consultations were based on multi-stakeholder approach and aimed at building understanding of the complexities involved in services policy formulation in developing countries, helping in organizing their internal consultative process, analysing best practices and opportunities arising from market access for their services and in formulating development needs.

27. On the assessments of trade in services, a number of studies have been finalized or initiated by the Branch to advance the debate on the impact of the liberalization of trade in services in developing countries in overall terms, and on a sector-specific basis with emphasis on reduction of poverty and achieving development. The following national sectoral studies were completed: *"Preliminary Assessment of Services and Services trade in Rwanda"*; *"Services trade-related development strategies in tourism and construction services in Indonesia"*; *"Exportar Servicios Profesionales desde Colombia Problemas y Oportunidades"*; *"Services Trade-Related Development Strategies in Tourism, Telecommunication and Banking Services in Kenya"*. New work in the area of services assessment in selected services sectors have been launched following initial consultations with stakeholders in Jordan, Guatemala, El Salvador and Thailand. In addition, assistance was provided to a number of national assessment studies undertaken in the context of the regional integration in the Andean Community, COMESA, SADC, as well as in the national context for Cameroon, Congo, Democratic Republic of Congo, Djibouti and Madagascar. The assessment activities also involved cooperation and exchange of experience with regional and international organizations and NGOs.

28. The Branch continued to make a contribution to the ongoing international debate on GATS negotiations in the area of Mode 4 (temporary movement of persons supplying services), and Mode 4 trade issues in its analytical work. It completed a report on "Managing request-offer negotiations under the GATS: the case of construction and related engineering services," providing additional inputs for the ongoing GATS negotiations. The Branch also represented UNCTAD in meetings of the Geneva Migration Group, an informal body of interested international organizations.

29. Work on business and professional services by the Branch included a study on "Moving professionals beyond borders: mutual recognition agreements and the GATS". This study identifies ways and approaches on how temporary mobility of professionals could be made possible through MRAs and how mechanisms to facilitate the participation of developing countries in the MRAs could contribute to increased participation in the international trade in professional services and the implementation of Article IV of GATS (General Agreement on

Trade in Services of WTO). The Branch also completed analytical work on outsourcing and development, which demonstrates that the trend towards the offshoring of a wide range of IT-enabled services and business process outsourcing has accelerated in the first five years of the new millennium, making it one of the most dynamic sectors of the global economy. Several developing countries have taken advantage of their skilled workforce and lower labour costs to enter the market for offshored services. Their early success has demonstrated the importance of this sector as a potentially powerful engine of economic growth and human development.

30. Assistance to developing countries on GATS and regional trade agreements continued to be provided by the Branch to Geneva-based delegations, especially LDCs, and to countries with economies in transition, mainly on the request/offer negotiations and on the rule-making negotiations. Specialized group training was provided on negotiating skills in the area of services, both in Geneva and in countries. An important part of this work consisted in observing the negotiations in the WTO and undertaking examination of different proposals, both on specific commitments and rule-making, in the areas of domestic regulation and subsidies. Customized assistance was provided to individual delegations upon request, and collectively to a number of developing countries concerning issues of common interest, such as SADC, Andean Community, landlocked developing countries, Association of South East Asian Nations (ASEAN), African Group and Latin American countries. Assistance was provided on energy services to ASEAN countries and some Arab countries.

31. Specific work was undertaken by the Branch in assessing opportunities that developing countries may have in liberalization of financial services in developed country markets under the GATS. In addition, the impact of adopting alternative approaches in the ongoing multilateral negotiations under the GATS in the context of liberalization of banking services in developing countries was analysed.

32. On development analysis of GATS rules and domestic regulation, the analytical work by the Branch continues in the area of data and information gathering in the area of subsidies and state-support measures. Such work focused on domestic regulations since it has emerged as important component in a number of sectoral studies, including professional services, distribution and insurance services. UNCTAD completed a report on "*Domestic Regulation and the GATS: Challenges for Developing Countries*". It discusses the possible issues arising in the application of future disciplines on domestic regulations. Multilateral disciplines on domestic regulation need to incorporate meaningful special and differential treatment for developing countries taking into consideration their development needs and institutional and regulatory capabilities.

(5) Cooperation with other organizations

33. The Branch continued to provide policy analyses on the international trading system and trade negotiations for reports prepared in 2005 by UN departments on the follow-up to the Millennium Declaration, Monterrey Consensus and the World Economic and Social Survey. In the delivery of different outputs, and as and where appropriate, the Branch cooperates closely with the WTO, ITC, UNDP, UN Regional Commissions, regional integration secretariats, academic institutions and civil society organizations.

B: Assessment and lessons learnt

34. UNCTAD, through its consensus-building, analytical and technical cooperation activities on international trade and trade negotiations, continues to make a positive and constructive contribution to the effective integration of developing countries into the international trading system and their participation in trade negotiations. It has been instrumental in assisting and developing trade and trade-related human, institutional and regulatory capacities in individual countries and in regional groupings, thereby helping to promote the MDGs. UNCTAD's constructive contribution in these efforts have been widely appreciated (see Box 3).

35. The Trade and Development Board's annual review of developments in the post-Doha Work Programme of particular concern to developing countries provides a one of its kind opportunity for governments to discuss trade negotiation issues outside of a formal negotiating setting and enhance understanding and consensus on key development issues in the negotiations.

36. There has been a marked increase in developing countries' engagement in the Doha negotiations in articulating their priorities and concerns in the run-up to the July 2005 deadlines set by the 1 August 2004 Decision of the WTO General Council, and in their preparations for and participation in the sixth WTO Ministerial Conference. This continues to be important in terms ensuring participation in the negotiations and ownership of results especially at the national level. UNCTAD has made an important contribution in this regard through its technical support and capacity-building assistance provided to developing countries, both in their capitals/regions and in Geneva, for their effective engagement in the Doha Round, and generally for dealing with the WTO Agreements. UNCTAD's assistance to countries in the process of accession to the WTO has been appreciated by the applicant countries (see Box 3).

37. Capacity-building is a medium- to long-term process and support to negotiations often requires immediate and extensive assistance. Thus, UNCTAD's assistance focuses on building human, institutional and regulatory capacities of developing countries that enable them to continuously assess and identify their strategic trade and development interests within trade negotiation in the WTO, as well as at the subregional and inter-regional levels. UNCTAD's activities respond to the specific needs of LDCs, African countries and countries with special developmental needs, and other developing countries. Such assistance is provided under a wide variety of formats, topics and levels of training or capacity-building, according to demands and to the various extra-budgetary resources available. It also helps developing countries in strengthening awareness of the trade laws and regulations governing market access conditions, so as to enable developing country officials and exporters to improve their capacity to respond to the challenges and opportunities arising from trade negotiations, deal with trade disputes, and utilize preferential trade arrangements.

38. The provision of adequate and regular financial assistance by donors to UNCTAD's technical cooperation project on international trade and trade negotiations is crucial in enhancing UNCTAD's capacity to respond to and address the multiplying needs and requests from developing countries on a timely and sustained basis and at an adequate level.

39. In-house and inter-agency cooperation is important in bringing a wider range of expertise to developing countries and ensuring coherence in support. This is particularly applicable in terms of cooperation with WTO in capacity-building and technical assistance based on the

Memorandum of Understanding signed in 2003 between the two organizations, or through cooperative arrangements for a number of technical assistance projects, such as the JITAP programme, and the Integrated Framework for Trade-Related Technical Assistance to LDCs.

Box 3: Selected Notation of Appreciation of UNCTAD's work on trade negotiations

"The excellent documentation and participation of your staff greatly enriched the deliberations of our meeting."

- Elizabeth Tankeu, African Union Trade Commissioner, (letter dated 14 June 2005) on UNCTAD's support to the 3rd Conference of African Ministers of Trade (Cairo, 6–9 June 2005).

"*Express* our appreciation to the Government and People of the Republic of Zambia for hosting our meeting in Livingstone and to thank the UNCTAD and WTO secretariats as well as our development partners for their support."

- Livingstone Declaration adopted by the Fourth LDC's Trade Ministers Meeting (25–26 June 2005).

"We also express our appreciation to UNCTAD, League of Arab States and other cooperating organizations for their support."

- Amman Declaration adopted by the Arab States Ministerial Meeting on the sixth WTO Ministerial Conference and MDGs (26–27 September).

"In terms of an operational structure for support, building on the Integrated Framework makes considerable sense, expanded to cover all low-income countries in Africa (and elsewhere), not just LDCs. The Joint Integrated Technical Assistance Programme (JITAP) of the WTO, UNCTAD, and ITC may be another mechanism."

- Report of the Commission for Africa (March 2005).

"It is no exaggeration to say that Cambodia would not be a WTO member today, had it not been UNCTAD's timely and expert assistance".

- Cham Prasidh, Senior Minister, Ministry of Commerce (letter dated 10 October 2005).

"Let me at the outset express the Government of Sudan thanks and appreciation for UNCTAD's continuous efforts in support of Sudan in different areas, and particularly in its efforts to accede to the World Trade Organization (WTO)."

- Siddig Abdelaziz Abdalla, WTO Desk Officer, Permanent Mission of Sudan to the UN, Geneva (letter of 2 August 2005).

III: TRADE ANALYSIS BRANCH

Increased awareness of factors underlying developments in international trade and of the impact of trade policies and increased capacity to implement trade policy tools that make development policies more effective. (Expected accomplishment (b) of the subprogramme, Table 12.15 in document A/58/6 Sect.12).

A: Major outputs and activities

40. The Spirit of São Paulo (paragraph 13) and the São Paulo Consensus on assuring development gains from international trade and trade negotiations (paragraphs 95, 96, 97, 105, 106, 108 and 109 as well as 8, 11 and 30)¹² added several new mandates to the work of the Branch. In implementing these mandates in 2005, the Branch launched the sectoral reviews of new and dynamic sectors within the framework of expert meetings and designed related capacity-building activities; developed the Trade and Development Index (TDI) in consultation with the UN Department of Economic and Social Affairs (DESA), the World Bank and the International Monetary Fund, with the support and advice of 1980 Nobel Laureate Professor Lawrence R. Klein (Benjamin Franklin Professor Emeritus at the University of Pennsylvania); provided renewed impetus to the work on non-tariff barriers; began publishing two new series on "Trade, Poverty and Cross-Cutting Development Issues Series" and "Developing Countries in International Trade"; and initiated work on a new joint publication of UNCTAD and UN Regional Commissions on global and regional trade trends and policies. Simultaneously, the Branch continued its regular analytical work on key trade issues and strengthened relationships with other organizations including academia, private sector and civil society. It also assisted the organization by UNCTAD of the 13th Prebisch Lecture (2 November) on "South and East Asia: Leading the World Economy", given by Nobel Laureate Lawrence R. Klein.

UNCTAD's new Trade and Development Index (TDI)

41. In the current economic environment of globalization, trade plays an increasingly important role in shaping economic and social performance and prospects of countries, especially of developing countries. In particular, the MDGs, the Doha Round of multilateral trade negotiations and the São Paulo Consensus have raised the concern of systematically monitoring development gains from the international trade system. Against this background, the Branch developed a conceptual framework to account for the complex interaction of factors affecting trade and development. This interaction is expressed in terms of UNCTAD's new Trade and Development Index, contained in UNCTAD's new publication on "Developing Countries in International Trade, 2005" (UNCTAD/DITC/TAB/2005/1).

42. In UNCTAD's pioneering work on the TDI, the trade and development performance of a country is not a mere sum of these two outcomes. Instead, it is a composite concept, reflecting the state in which a country finds itself as a result of interactions among underlying factors determining them (see Box 4). The TDI provides country rankings in terms of trade and development performance, as well as a diagnostic and policy tool by systematically identifying factors explaining such performance. The chief innovation of the index is that it quantifies the complex interplay of factors that determine both trade progress and human development. The

¹² See section on Subprogramme 3: International Trade in "Implications of the outcomes of UNCTAD XI for the work programme for 2004-2005" (TD/B/WP/174).

TDI is a work in progress and further refinement is being carried out. It should prove useful to policymakers in formulating development strategies and development cooperation in order to help developing countries climb up the development ladder. The TDI received extensive media coverage when it was released in late October. For example, on 2 November Bloomberg news reported that the TDI shows that expanding foreign trade is only one of a series of measures that governments must address to generate wealth and create jobs. The most successful economies combine open trade and dense transport infrastructure, as well as high health, education and investment standards. Professor Klein says he likes the index because it is flexible and allows countries to incorporate dramatic world events as they are happening, thereby making it possible to gauge their effects on trade and development.

Box 4. TDI methodology, results and policy implications

TDI is constructed as a weighted sum of 11 composite indicators, where respective weights are the outcome of multivariate statistical analysis of principal components. These components are themselves composed of a total of 29 indicators. The eleven components are: Human Capital (HC), Physical Infrastructure (PI), Financial Environment (FE), Institutional Quality (IQ), Environmental Sustainability (ES), Economic Structure (ET), Openness to Trade (OT), Effective Foreign Market Access (MA), Economic Development (ED), Social Development (SD), and Gender Development (GD). The main reason for employing principal components analysis is that it makes it possible to define a synthetic measure that is able to account for interactions and interdependence between the selected set of components making up the TDI. Other attractive features of this methodology are that it permits calculation of statistical weights of the various components of the TDI for the sample that thereby identify what drives the results, and that it allows comparison of results over time.

The results indicate that the top 20 are all developed countries, except Singapore (rank 15). Denmark leads the pack, followed by the United States and the United Kingdom. The TDI scores of Sweden, Norway, Japan, Switzerland and Germany are particularly close. EU countries in southern Europe are at the bottom of the top 25. Only three developing countries are in the top 30. Besides Singapore, they include the Republic of Korea (rank 25) and Malaysia (rank 28). This partly indicates that only a handful of developing countries have been able to come close to the trade and development performance of developed countries. At the other extreme all the bottom 20, excepting Pakistan and Papua New Guinea, are either least developed countries (LDCs) or African countries, or both. The entire bottom 10 are African countries, with nine being LDCs; indeed, only two African countries, South Africa (rank 41) and Mauritius (rank 47) are among the top 50 scorers.

An overall analysis of the TDI components reveals that the East Asian/Pacific (EAP) countries' lead is due to relatively high average scores for physical infrastructures and financial environment, and to some extent market access indicators. As to South African (SOA) and Sub-Saharan (SSA) countries, they are lagging behind for most components. This is particularly true for the social development component, the financial environment component and the physical infrastructure component. SSA countries score particularly low on physical infrastructure. SOA countries score low in terms of their trade openness. EAP countries' disaggregated scores reveal a relatively high level of uniformity of performance across different components.

The analysis also indicates that the contribution to the TDI of the openness to trade component is the largest and explains almost 15 per cent of the TDI score on average. This reflects the fact that most countries of the sample are relatively opened to trade as a result of unilateral actions and/or trade negotiations. Contributions of other components vary on average between 3.9 and 13 per cent. The contribution of the social development component is the second most important, followed by the contribution of the economic structure component, the environmental sustainability component and the gender development component. The lowest contribution on average came from economic development component, represented by per capita GDP in PPP terms.

An important finding of the TDI analysis is that countries that have scored high showed much less variability in the contribution of individual components making up the TDI than those that have scored poorly. This relationship suggests that reducing variability in the contribution of different components should be an important objective of national trade and development policies and strategies. To be successful, a country must simultaneously pursue multiple goals within a coherent trade and developments strategy, while emphasizing reduction of the existing gaps in areas where performance is lagging. This also points to the need for greater coherence between trade policy and rule making, on the one hand, and development strategies, as well as development solidarity and partnership, on the other. It should also help elaborate priorities for 'Aid for Trade' concept and practical packages of measures. Future work on TDI will include in-depth focus on these issues.

Source: UNCTAD, Developing Countries in International Trade, 2005.

(1) Intergovernmental deliberations and consensus-building

- *United Nations General Assembly*

43. The Branch provided substantive inputs to, and comments on, the Secretary-General's Report to the UN General Assembly on the follow-up to and implementation of the outcome of the International Conference on Financing for Development (A/60/289).

- *Commission on International Trade in Goods and Services, and Commodities, and expert meetings*

44. The Branch provided substantive support to the ninth session of the Commission on Trade in Goods and Services, and Commodities, particularly regarding consideration of the results and report of the first intergovernmental review of new and dynamic sectors (7–9 February), jointly organized with other branches of the Division, on sectors of outsourcing of Information Technology (IT)-enabled services, textiles and clothing, and renewable energy products, including bio-fuel. A panel discussion on textile and clothing was organized and serviced during the Commission. On the basis of the discussions, the Commission agreed to convene an expert meeting on new and dynamic sectors on an annual basis, and recommended elaboration of national technical assistance projects.

45. As agreed by the ninth session of the Commission, the Branch organized and serviced an Expert Meeting on Methodologies, Classifications, Quantification and Development Impacts of Non-Tariff Barriers (5–7 September), attended by governments, leading academic personalities, and representatives of international organizations such as the World Bank, IMF, WTO, ITC, FAO and UNIDO, as well as regional organizations and the private sector.¹³ It prepared a background note on "Methodologies, classifications, quantification and development impacts of non-tariff barriers" (TD/B/COM.1/EM.27/2). The Meeting discussed technical and research issues (like classification and quantification of NTBs) and on forming and strengthening partnerships to deal with NTBs on a comprehensive and long-term basis. As a concrete follow-up, the Secretary-General of UNCTAD announced his intention to establish a Group of Eminent Persons on NTBs. The group is being constituted with personalities from stakeholders and will commence its work in 2006. The Branch also prepared and serviced, in collaboration with other

¹³ See "Report of the expert meeting on methodologies, classification, quantification and development impacts of non-tariff barriers" (TD/B/COM.1/EM.27/3).

Branches of the Division, the second expert meetings on new and dynamic products (24–26 October) in electronics, fishery and marine products, steel and related speciality products.¹⁴ Three background notes were prepared by the concerned Branches of the Division on "Trends, issues and policies in the electronics sector" (TD/B/COM.1/EM.28/2); "Steel and related speciality products" (TD/B/COM.1/EM.28/4); and "Fishery products" (TD/B/COM.1/EM.28/3). The Meeting reviewed national and international policies and actions to enhance developing country participation in the three selected sectors, with particular focus on LDCs and African countries.

46. The Branch prepared a policy paper for the tenth session of the Commission in 2006 on "Market access, market entry and competitiveness" (TD/B/COM.1/76) to serve as the background note to the Commission's deliberations on the same topic.

(2) Technical documentation

47. The following are among the key technical documents and publications prepared by the Branch, in addition to notes prepared for intergovernmental or other meetings:

- ✓ Contributions to the (i) World Economic and Social Survey; and (ii) World Economic Situation and Prospects published jointly by UNCTAD and DESA.
- ✓ Policy issues in International Trade and Commodities Study Series:
 - ⇒ Smoke and mirrors: making sense of the WTO industrial tariff negotiations (UNCTAD/ITCD/TAB/31).
 - ⇒ International trade in GMOs and GM products: national and multilateral legal frameworks (UNCTAD/ITCD/TAB/30, 2005).
 - ⇒ Trade policy at the crossroads - the Indonesian story (UNCTAD/ITCD/TAB/29, 2005).
- ✓ Trade, Poverty and Cross-Cutting Development Issues Series:
 - ⇒ Towards a new trade "Marshall Plan" for least developed countries: how to deliver on the Doha development promise and help realize the United Nations Millennium Development Goals? (UNCTAD/DITC/TAB/POV/2005/1).
- ✓ Developing Countries in International Trade Series:
 - ⇒ Developing countries in international trade 2005: trade and development index (UNCTAD/DITC/TAB/2005/1).
- ✓ Lecture notes and powerpoint presentations on analytical issues of trade and development issues.

(3) Advisory services, technical assistance and capacity-building

48. The *Trade Analysis and Information System (TRAINS)*, developed by the Division, and disseminated through the Internet and CD-ROM, provides a comprehensive information system such as on the Generalized System of Preferences (GSP) for use by policymakers and economic operators in trade negotiations, for general research on international trade, and for exporting. The data elements contained in TRAINS can be compared to a specialized library containing books on trade-related topics. It currently contains 156 volumes of tariff schedules, 80 of which are for 2005 and 30 for 2003/2004; 52 volumes with para-tariff measures; 95 publications on non-tariff

¹⁴ See "Report of the Expert Meeting on Dynamic and New Sectors of World Trade" (TD/B/COM.1/EM.28/5).

measures, produced by UNCTAD; and 70 volumes on detailed import statistics at tariff line level by origin. In addition, software jointly developed with the World Bank (World Integrated Trade Solution – WITS) allows users to access the entire time series of the database through the Internet. Over a third of the 3200 licenses to use the WITS software were issued in 2005; this number is likely to increase in 2006 in the face of new features and better administration (see Box 5). TRAINS includes information on the GSP relating to tariffs, preferential margins, rules of origin and other regulations affecting the export interests of developing countries *vis-à-vis* the preference-giving countries. A sub-system, TRAINS for the Americas, has been developed in collaboration with the Inter-American Development Bank (IDB). The Branch collaborates closely on TRAINS with the Latin American Integration Association (ALADI), the South Asian Association for Regional Cooperation (SAARC), the Permanent Secretariat of the General Treaty on Central American Economic Integration (SIECA), the Central African Economic and Monetary Community (CEMAC) and SADC.

Box 5. Utilization of TRAINS

TRAINS has contributed data for the calculation of MDGs indicators on market access, namely (indicator 38 - proportion of total developed country imports from developing countries and least developed countries, admitted free of duty) and indicator 39 (Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries). The widespread use of TRAINS, particularly in the publications of such organizations as the OECD, the World Bank and the IMF, as well as UNCTAD itself, attests to the recognition of its usefulness. In addition, the database serves as the primary source of data for other databases such as the Agricultural Market Access Database (AMAD), which in turn is often referenced as an information source in many publications on agricultural trade. That a number of universities and private organizations have made voluntary contributions to the TRAINS trust fund is a good indication of the value of the system. Requests for the TRAINS have also come from government ministries and international organizations engaged in trade negotiations under WTO, as well as the Free Trade Area of the Americas (FTAA).

49. UNCTAD continues to collaborate with WTO and ITC to create a *Common Analytical Market Access Database (CAMAD)*, putting together all data sources collected or received by each organization. It promises to be the most comprehensive market access database in the world. The database is currently undergoing a final round of technical verifications before being launched.

50. The Branch has carried out extensive analysis of WTO's agricultural and non-agricultural market access negotiations; prepared a number of papers and presentations for conferences and briefing in Geneva and capitals; and assisted developing countries in analysing welfare impact of various negotiating proposals on industrial tariffs. Analytical support on agriculture draws upon the *Agricultural Trade Policy Simulation Model (ATPSM)*. ATPSM is a comprehensive database and simulation-modelling software intended for use by agricultural trade policymakers. It was developed by the Division for developing countries to be able to undertake analysis of agricultural impacts of any negotiated outcomes from international trade negotiations. It is available on CD-ROM and can be downloaded from UNCTAD's website. There is evidence of increasing use of this software in developing countries.

51. In 2004, the Branch launched a project, with UK DFID financing, on supporting developing countries' assessment of the non-agricultural market access negotiations. The results of assessment were presented at a Meeting on Coping with Trade Reforms: A Developing-Country Perspective on the WTO Industrial Tariff Negotiations (Geneva, 18–19 January). It underscored the significance of support policies and actions that accompanied the liberalization

process, based on reports supervised under the project on Bangladesh, Brazil, Bulgaria, India, Jamaica, Malawi, Philippines and Zambia. In addition the Branch presented some results of new analysis on the possible effects of the NAMA negotiations and a series of other studies.

52. The Branch contributed to the Division's implementation of a development account project on enhancing awareness of the contribution of trade to the attainment of the MDGs. It created a website for UNCTAD that contains useful resources, related links, an e-library containing a comprehensive catalogue of articles and publications on trade and MDGs, as well as results of activities undertaken under the development account project. All these features will help distance learning and increased interaction and exchange between policymakers. The website has been created and will be hosted on the UNCTAD website.

(4) Cooperation with other organizations

53. The Branch continued its extensive cooperation with several multilateral organizations, in particular the World Bank, WTO, DESA, ITC, IMF and the UN Regional Commissions. It followed closely the work of several WTO bodies and provided inputs to them. It collaborated with DESA, particularly through the provision of analytical inputs to the UNCTAD-DESA joint annual publication "World Economic and Social Prospects" and the Secretary-General's report to the UN General Assembly on Financing for Development. The Branch's collaboration with the World Bank relates, among other things, to the WITS and sharing information on ongoing research and analysis.

54. The Branch has been working closely with the World Bank, IMF, WTO, ITC, FAO and UNIDO on tariff and non-tariff issues. In preparing the Trade and Development Index, it had consultations with staff of DESA, the World Bank and IMF, and collaborated with academia. On new and dynamic sectors, it has begun to collaborate with the private sector, in addition to member States and international organizations. It has excellent working relations with a number of regional organizations on trade-related data and has established closer contacts with the NGO community (TWN, South Centre, Oxfam, among others), which will be further developed. Such collaboration is also useful in ascertaining priorities for research in developing countries, and to obtain ideas and material for research at UNCTAD.

B: Assessment and lessons learnt

55. The key challenge faced by the Branch in the aftermath of UNCTAD XI was to integrate new mandates (e.g. trade and development benchmarks and indicators, new and dynamic sectors, new trade geography, trade, poverty and interrelated issues, adjustments from trade agreements, etc.) into the work programme within existing resources, while at the same time continuing its existing work on helping to strengthen analytical, statistical and information base of developing countries on trade and trade-related issues. This painstaking work had to be accomplished in such a manner as to ensure that the high-quality work of the Branch was maintained and enhanced.

56. This challenge was met, *inter alia*, by streamlining the structure and activities of the Branch, which made it possible for new outputs to be delivered (e.g. the Trade and Development Index, sectoral review of new and dynamic sectors, launching of two new series of publications namely *Developing Countries in International Trade* and *Trade, Poverty and Cross-Cutting Issues*), while strengthening areas of continuing work (e.g. Expert Meeting on Non-Tariff

Barriers, initiating work on setting up the Eminent Persons Group on NTBs, adjustment to trade reforms, development and use of trade analysis tools and trade-related data, substantive support to intergovernmental meetings, contribution to flagship reports, and capacity-building activities).

57. The Branch has also made distinct progress in developing relations with international organizations, civil society, academia and the private sector. It is carrying out consultations with some global TNCs in the context of concrete collaboration on capacity-building support to developing countries in new and dynamic sectors, as well with academia on near-term trade and growth projections of some developing countries.

58. There has been an increasing number of requests for national/regional seminars and briefings in Geneva for individual countries and sub-groups, as well as cross-regional groups of developing countries that have looked to UNCTAD's work on agriculture and non-agricultural market access in particular to help inform them of the implications of WTO trade negotiations. The outputs of the Branch have continued to be used as inputs for intergovernmental deliberations and consensus-building; for the provision of technical advice by other programmes of the Division in technical cooperation activities; and they have been extensively disseminated to the public at large and used by governments, the academic community, research institutions and the private sector.

59. The Branch met the twin indicators of achievements in the 2004-2005 programme budget namely, the number of hits on the TRAINS website (30,000 per month), and usage of research and analysis by end-users (120). The TRAINS database is increasingly used as a tool to trade negotiators and policymakers for trade policy formulation and trade negotiations, as well as by international organizations and academic and research institutions. In particular, in the context of the heightened interest in NTBs, more extensive work needs to be done to ensure that TRAINS becomes the most comprehensive database available to the international community. It is hoped that the Eminent Person's Group on NTBs will provide important impetus to that end.

60. Streamlining the structure and activities of the Branch has allowed it to integrate the new mandates of UNCTAD XI within existing resources. However, further progress, especially with regard to country-level work, will prove highly challenging, especially because the future quality of some of the new and ongoing activities will depend on country-level information and analysis, and the availability of skills in some new and emerging areas. Also, the strengthening of work on NTBs, capacity-building activities on new and dynamic sectors, further work on the TDI, and preparation of a new EC-ESA report on global and regional trade are all skill- and labour-intensive activities. To carry such work forward to yield high-quality results will require further investment in human resources, as well as in analytical and capacity-building work of the Branch.

IV. COMMODITIES BRANCH

Strengthened capacity of developing countries to enhance the contribution of their commodity production and trade to sustainable development and economic diversification, to apply modern commodity price risk management and financial instruments and to promote greater participation in added-value chains. (Expected accomplishment (c) of the subprogramme, Table 12.15 in document A/58/6 Sect.12).

A: Major outputs and activities

61. Preparation of documents and issues notes, substantive participation in meetings and technical cooperation were the principal elements of the work. Outputs and activities are geared towards the implementation of São Paulo Consensus, in particular, paragraphs 24, 49, 58, 64, 74, 95, and 100, 105, and 106.¹⁵ The Branch undertook preparations to operationalize the International Task Force on Commodities (ITFC), launched by UNCTAD XI as one of its partnerships. H.E. Mr. Benjamin William Mkapa, former President of the United Republic of Tanzania, will chair the ITFC. Candidates for ITFC membership have been identified and contacted. Contacts with potential donors have continued to finance the ITFC.

(1) Intergovernmental deliberations and consensus-building

- *United Nations General Assembly*

62. In the context of ECOSOC, the Branch organized a Ministerial Roundtable Meeting on “The Impact of Commodities on Poverty Reduction and Sustainable Development in Least Developed Countries and other Vulnerable Economies”, in New York (30 June), in cooperation with the Common Fund for Commodities and High Representative of the Secretary-General on LDCs and LLDCs. It prepared an issues note for the meeting.

63. In the context of the Second Committee of the General Assembly, the Branch was involved in the organization of a Panel on "Challenges for international commodity policy - the cotton problématique", in New York (22 November), in cooperation with the Government of Benin. It prepared an issues note which facilitated deliberations at the meeting.

- *Commission on International Trade in Goods and Services, and Commodities, and expert meetings*

64. The Branch provided substantive support to the ninth session of the Commission on Trade in Goods and Services, and Commodities, particularly on the topic of market access, market entry and competitiveness; specifically as it relates to how access to commodity trade finance affects the competitiveness and market entry capacities of developing countries under given market access conditions. It prepared the background document on “Market entry for commodities: the role of trade and investment finance” (TD/B/COM.1/72) that served as a basis for discussion by the Commission. It served the Commission's consideration of the results of the Expert Meeting on New and Dynamic Sectors (7 to 9 February), especially in respect of renewable energy

¹⁵ See section on Subprogramme 3: International Trade in "Implications of the outcomes of UNCTAD XI for the work programme for 2004-2005" (TD/B/WP/174).

products, including bio-fuels. During the Commission, as a follow up to UNCTAD XI, the Branch organized a meeting (16 March) of Eximbanks and Development Finance Institutions to set up of a network to assist in financing of commodities production and trade. A follow-up meeting will be convened in 2006 to launch the network.

65. As agreed by the ninth session of the Commission, the Branch contributed to the organization and servicing by the Division of the second Expert Meeting on New and Dynamic Products (24–26 October), with its contribution focused on marine products and steel. It prepared the background notes on steel and related speciality products (TD/B/COM.1/EM.28/4) and on fishery products (TD/B/COM.1EM.28/3).

66. The Branch has prepared a policy paper for the tenth session of the Commission in 2006 on "Commodity policies for development: a new framework for the fight against poverty" (TD/B/COM.1/3). This will serve as the background note to the Commission's deliberations on the agenda item on commodities and development.

- *United Nations Conferences on International Commodity Agreements*

67. The Branch provided substantive servicing to the following international commodity agreement conferences:

- (i) The United Nations Conference for Negotiations of a Successor Agreement to the International Tropical Timber Agreement, 1994. The First Part was held from 26–30 July 2004. The Second Part was held from 14–18 February 2005, and the Third Part from 27 June-1 July 2005. The Fourth Part is scheduled for 16–27 January 2006.
- (ii) The United Nations Conference on Olive Oil and Table Olives, held from 25–29 April 2005.

(2) Technical documentation

68. The Branch prepared a series of documents containing policy analyses, information and data on commodity issues, trends and data, in addition to policy documents for intergovernmental meetings. These included the following:

- ✓ Contributions to: (i) World Economic and Social Survey; and (ii) World Economic Situation and Prospects published by the United Nations in New York.
- ✓ The iron ore market 2004-2006 (UNCTAD/DITC/COM/2005/1).
- ✓ Enhancing South-South trade and investment finance (UNCTAD/WEB/DITC/COM/2005/2).
- ✓ Costs of agri-food safety and SPS compliance: Tanzania, Mozambique and Guinea, tropical fruits (UNCTAD/DITC/COM/2005/2).
- ✓ Potential uses of structured finance techniques for renewable energy projects in developing countries (UNCTAD/DITC/COM/2005/4).
- ✓ Iron ore statistics (UNCTAD/DITC/COM/2005/5).
- ✓ Trends in World Commodity Trade, enhancing Africa's competitiveness and generating development gains (UNCTAD/DITC/COM/2005/7).
- ✓ Overview of the world's commodity exchanges (UNCTAD/DITC/COM/2005/8).

- ✓ Progress in the development of African commodity exchanges (UNCTAD/DITC/COM/2005/9).
- ✓ Enhancing commodity financing and managing shocks in Africa (UNCTAD/DITC/COM/10).
- ✓ The exposure of African governments to the volatility of international oil prices, and what to do about it (UNCTAD/DITC/COM/2005/11).
- ✓ Improving the sustainability of cotton production in West Africa (in French) (UNCTAD/DITC/COM/2005/12).
- ✓ Tracking trend towards market concentration: the case of agricultural input industry (UNCTAD/DITC/COM/2005/16).
- ✓ Advisory and training materials on modern oil-price related budgetary risk management, as well as on the ways of increasing local producers' shares in the value-added of the oil and gas sector.
- ✓ Advisory and training materials on modern financial tools for the agricultural sector and agricultural trade.
- ✓ Advisory and training materials on regulatory issues affecting commodity and trade finance, in particular the New Basel Capital Adequacy Accord for banks.
- ✓ Market intelligence and analysis, through updating and expanding UNCTAD's commodity web portal (<http://www.unctad.org/infocomm>).
- ✓ Lecture notes and powerpoint presentations covering issues such as commodity policies, participation in value chains, diversification of the commodity sector, innovative financial mechanisms and risk management.

(3) Advisory services, technical assistance and capacity-building

69. In 2005 the Branch implemented a broad range of technical cooperation and capacity-building activities relating to commodities and development. The Branch, in cooperation with the African Union and the Common Fund for Commodities, provided substantive contributions to (including several papers) and serviced the substantive discussions at the African Union's Second Extraordinary Conference of Ministers of Trade on Commodities (21–23 November, Arusha).

70. Under the Project on Diversification and Commodity-based Development, a national workshop in Mongolia with a focus on commodity development from a domestic regional perspective, was organized in Ulaanbaatar (19–21 October), in cooperation with the Ministry of Industry and Trade of Mongolia and German Technical Cooperation's (GTZ) Export-Oriented Industrial and Trade Policy Project.

71. Under the Project on Capacity-Building and Policy Networking for Sustainable Resource-based Development, a workshop on mineral wealth management was organized in Uganda in cooperation with the UN Economic Commission for Africa (ECA). An African Mining Network was established and the Latin American Network on Extractive Industries and Sustainable Development continued its activities.

72. The Branch continued implementation of the UNCTAD/Migros project on the Total Quality Management with the aim of helping diversification and increased participation in supply chains by commodity-dependent countries, in particular LDCs.

73. Under a project on costs of compliance with sanitary and phytosanitary standards (and with part funding from Finland), three national workshops on Agri-food Safety and SPS for tropical fruits were held in the United Republic of Tanzania (14–15 April), Mozambique (26–27 May) and Guinea (28–30 July), respectively. A follow-up project in Guinea was initiated. A subregional workshop on SPS regulations was held in cooperation with ITC in Zambia. The national workshops presented a framework that facilitated quantification of the costs of compliance associated with agricultural safety standards and SPS. As a follow up, the Standard Trade Development Facility of WTO will finance technical assistance activities in Mozambique and Guinea. The implementation of the follow-up programme for Guinea started in November 2005. The follow-up project for Mozambique is expected to be launched in March 2006.

74. The Branch contributed to the Division's implementation of a development account project on enhancing awareness of the contribution of trade to the attainment of the MDGs. It organized an interregional workshop for LDCs and African countries on the contribution of commodities to MDGs in Madagascar (28–30 November). A background document on the "Relationship between Commodities Production and Trade and Development, with a focus on Poverty Reduction" was prepared for the workshop.

75. The Branch implemented the project on "Improving the sustainability of cotton production in West Africa" with the financial contribution of the Common Fund for Commodities, and in cooperation with the International Cotton Advisory Committee. A round table meeting was held in Bamako (28 February–1 March), and the report of the meeting, and background study, have been published.

76. The Branch was responsible for the organization and servicing of the ninth African Oil & Gas Trade and Finance Conference (Maputo, 31 May–3 June) – the continent's largest energy event – together with ITE Group PLC, the Ministry of Energy and Mines of Mozambique, the Mozambican National Hydrocarbons Corporation and Petroleos de Moçambique. The conference highlighted the host nation's potential in energy resources and exploration and production in the continent, including in the vibrant gas markets. Deliberations focused on raising finance, gas projects for the local market and partnerships for development.

77. A brainstorming meeting on "Hydrocarbons and Procurement Systems in Sub-Saharan Africa and Development" was held and serviced by the Branch (Geneva, 20–22 December). It was attended by senior African oil procurement managers to consider the improvement of hydrocarbons sector management in Africa.

78. Training activities were conducted on innovative financing techniques in commodities and continuing support was provided to commodity exchange development, particularly in India, and towards the establishment of a new pan-African commodity exchange. The latter was further discussed and strongly endorsed in the Arusha Declaration and Plan of Action on African Commodities, which was adopted by the African Union's Second Extraordinary Conference of Ministers of Trade on Commodities in November.

79. Work continued on improving market transparency and knowledge management, primarily through the electronic portal *Infocomm*. The portal now covers 40 different commodities and is expected to cover 10 more soon. Furthermore, strategic partnerships with key

authoritative sources of information have improved the timeliness of information in French, English and Spanish for rice, bananas, citrus fruits and cotton.

80. A pilot information sharing-database system, *Infoshare*, was developed to gather and share quantitative information on commodity prices (including farm gate, export and import prices), intermediate production and marketing costs (transportation and storage), as well as qualitative information (e.g. national quality standards and stakeholders). It was tested in Cameroon and training on utilizing *Infoshare* was organized for officials from the Cameroon National Cocoa and Coffee Bodies in Geneva (24–28 October).

81. The Branch initiated projects on: (i) community-based arrangements for sustainable commodity production in areas affected by mine closures in Peru; (ii) developing new approaches for using carbon credits for supporting small farmers' investments in plantation crops; and (iii) identifying factors underlying success in maximizing the contribution of mining to economic growth and sustainable development, in cooperation with the International Council on Mining and Metals and the World Bank. A technical assistance programme for fisheries sector development is being prepared in response to a demand from the Government of Mauritania; when implemented, this programme will represent a concrete follow-up to the new and dynamic sectors meeting held on the same sector. A value chain approach to help in diversification of commodity dependent countries was integrated into the JITAP programme (see Box 2). A project on price fluctuations and compensatory mechanisms is currently underway and being financed by Finland.

(4) Cooperation with other organizations

82. The Branch has continued its extensive cooperation with multilateral organizations, in particular with FAO, the Common Fund for Commodities, the World Bank, WTO, DESA, ITC, UN Regional Commissions, UN University/WIDER, universities and research institutions and international commodity organizations, as well as the private sector. This inter-agency cooperation has helped to promote the implementation of a comprehensive approach to commodity sector development.

83. Staff members of the Branch participated and made substantive presentations at numerous workshops and meetings organized by other organizations, civil society and academic institutions such as Bridge Initiative's on "Agricultural policy against development objectives and the logic of globalisation" (Dakar, 9–10 June); academic events such as WIDER's "Hunger and Food Security" project meeting (Helsinki, 12–14 October); and a South Centre side event on commodities (Hong Kong, China, 12 December) during the sixth WTO Ministerial Conference. The Branch has actively participated in the commodity related work carried out within the WTO framework, including the subcommittee on cotton. It provided substantive support to the activities of International Cocoa Organization and the International Tropical Timber Organization. Its cooperation with the private sector covers a wide variety of commodity-related issues and includes the financing of events. Given that civil society has recently become deeply involved in commodity-related activities, UNCTAD's cooperation with them has been enhanced. The Sustainable Commodity Initiative with the International Institute for Sustainable Development (IISD) has been a major force in enhancing the consideration of sustainability issues in international commodity policy. Substantive assistance was provided by the Branch to around 50 countries on ways and means to connect market analysis with new innovative tools to gather and

disseminate key and strategic information, and empower the stakeholders along the commodity chains. For example, strong cooperation with several international organizations, in particular with ITC and the CTA (Technical Centre for Agricultural and Rural Cooperation, ACP-EU) focused on the promotion of commodity trade information, including the organization of training events on 19–23 September (with ITC), 24–28 October (UNCTAD only), 21–25 November (with ITC), and 28–30 November (with CTA).

B: Assessment and lessons learnt

84. As the problems associated with the commodity sector regain prominence on the international agenda, UNCTAD's work and institutional memory has been instrumental in setting the discussion within a realistic and operational framework and in promoting new and innovative approaches to the commodities *problématique*. It has been the source of substantive material used not only in UNCTAD but elsewhere, such as UN General Assembly, ECOSOC, African Union, the South Summit and the WTO. UNCTAD's approach to the commodity problems is firmly rooted in the role of the commodity sector in the development process and poverty reduction. The aim is to turn the commodity sector into an engine of growth and development. Making use of the opportunities that present themselves and to create new opportunities is a significant element of this work. With varying degrees of intensity, these considerations have been introduced into the global discussion on commodities, taking place at various forums. UNCTAD's work on commodities is appreciated (see Box 6).

Box 6: Appreciation from Mozambique

"Votre Institution a apporté un appui effectif à ce dossier depuis sa soumission aux organes compétents de l'OMC, en Mai 2003. Cet appui a contribué à l'obtention des résultats d'étape auxquels nous sommes parvenus sur le coton à l'issue des travaux de la Conférence de Hong Kong. Aussi, voudrais-je exprimer à vous-même, ainsi qu'à vos collaborateurs la gratitude des autorités des quatre pays co-auteurs de l'Initiative Sectorielle en faveur du coton."

Samuel Amehou
Ambassador of Benin to the United Nations, Geneva
Letter dated 28 December 2005

"I am particularly obliged to pay special tribute to UNCTAD for its continued efforts [...] towards the promotion of investment opportunities and economic dialogue, particularly with respect to energy policy issues in Africa."

Alexandre da Conceição Zandamela
Ambassador of Mozambique to the United Nations, Geneva
ninth African Oil & Gas Trade and Finance Conference
(Maputo, Mozambique).

85. In spite of the increasing importance attached to the commodities issue, interest remains scant in some ways. Thus, it has not yet been possible to generate the resources needed to put into operation the International Task Force on Commodities, which is expected to generate new ideas and innovative and partnership-based practices. It is clearly observed that commodity issues and UNCTAD's work on commodities attract considerably more attention in the countries themselves and from Ministries involved in development and poverty reduction.

86. Activities organized in developing countries are very well attended and at very high levels. The workshops on diversification, on SPS and other quality

requirements for the horticulture sector as well as on commodity information issues have been attended by around 50 participants each, including several ministers. More than 1,400 people participated in the five meetings on commodity risk management and finance, including the ninth

African oil and gas trade and finance conference (which assembled some 450 participants). The analytical and technical cooperation areas of the work of the Branch are inextricably linked. This provides a sound foundation for all operational activities in the field and contributes to their success. Similarly, the relevance of the analytical work is increased as it is inspired by the ground realities of the commodity sector.

87. In the area of knowledge management and market transparency, the electronic portal *Infocomm*, providing up-to-date quantitative and qualitative commodity information on market fundamentals has reached more than 160,000 sessions and roughly 6 million hits by outside users per month, accounting for 60 per cent of UNCTAD's total net-based information. *Infocomm* materials are used worldwide by both government and industry representatives (the branch has received letters from the National Commodity & Derivatives Exchange in India and the Bureau of Export Trade Promotion in the Philippines). Universities and research academics are also using these materials in their courses (letters have been received from Harvard and the Ecole Nationale des Ponts et Chaussées).

88. In May, the *Infoshare* system was selected by the United Nations Department of Public Information (DPI) as one of the "ten stories the world should hear more about." Also, various press articles were issued on this topic.¹⁶

89. With respect to diversification in commodities, UNCTAD has in recent years emphasized the importance of eliminating supply-side constraints and facilitating market entry (for instance, meeting quality requirements) for developing countries' commodity exports. Actions in both of these areas are crucial to improving the competitiveness of producers. UNCTAD's initiative to provide technical assistance in the area of compliance with SPS and other standards has been widely welcomed and has been met by interest on the part of a large number of developing countries, many of which have requested that projects in this area be undertaken as a matter of priority. Work on biofuels constitute a new area, and one that is likely to assume rapidly growing importance as a result of the conjunction of high oil prices, concern about climate change and increased understanding of the need for economic diversification in commodity dependent developing countries. With respect to mineral commodities, UNCTAD's expertise on the international iron ore and steel industry is now widely recognized. Most importantly, UNCTAD's role as the leading institution in the design of innovative policies that address the inter-related issues of commodity dependence, poverty and competitiveness is acknowledged. As a result, UNCTAD is in a position to form partnerships around policy issues and assist developing country governments more effectively.

90. In the area of commodity risk management and finance, the commodity exchanges launched in India with UNCTAD's substantive assistance had reached a total turnover of almost US\$ 2 billion per day by the end of 2005. Assistance is being provided on the opening of a similar commodity exchange in Africa under the umbrella of the African Union as one of the pillars of the continent's economic integration (as noted earlier). As part of a broader agricultural programme of the World Bank and FAO, advice was provided to the Government of the Ukraine on the development of an agricultural futures market. In-depth advice and training was provided

¹⁶ For example 24/05/05: David Harbottle, Cobweb Information Ltd (www.cobwebinfo.com); 23/05/05: Dieter Snoeck, a journalist of the Belgian newspaper 'De Tijd'; 10/05/2005: Abilinda, journaliste, Deutsche Welle Radio Nationale Allemande; 06/05/2005, article from Public Ledger, "UN Campaign shines spotlight on Cameroon".

to a new agricultural bank in India on how to structure effective and innovative lending products. Similar advice provided to the Islamic Development Bank led to its inclusion of warehouse receipt finance as a standard loan product, and work on other new products is ongoing. Awareness-raising and training activities focusing on African banks have also continued. Demand-driven advice on the creation of a major new collateral management company for the African continent was provided, following similar activities in 2004 that led to the creation of a similar company in India. This company is likely to start operating in the course of 2006.

V: COMPETITION AND CONSUMER POLICIES BRANCH

Increased understanding of developing countries and countries with economies in transition for dealing with competition and consumer protection issues, with due attention also to gender dimension. (Expected accomplishment (d) of the subprogramme, Table 12.15 in document A/58/6 Sect.12).

A: Major outputs and activities

91. In line with the São Paulo Consensus and the agreed conclusions of the sixth session of the Intergovernmental Group of Experts on Competition Law and Policy (8–10 November 2004), the work of the Branch focused on its extensive technical assistance and capacity-building programmes and its preparations for, and servicing of, the Fifth United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices (14–18 November 2005). The Branch implements activities pursuant to the mandate on competition and consumer-protection provisions of the São Paulo Consensus, in particular paragraphs 13, 29, 37, 43, 72, 89, 95 and 104.¹⁷

(1) Intergovernmental deliberations and consensus-building

- *Fifth United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices*

92. The UN Set is the only existing multilateral agreement on competition law and policy, adopted by the UN General Assembly in December 1980. UNCTAD houses and services the implementation of the UN Set including through an annual meeting of the Intergovernmental Group of Experts on Competition Law and Policy (IGE) and a UN Review Conference at Ministerial level, held every five years. At the invitation of the Turkish Competition Authority, the Fifth Review Conference took place in Antalya, Turkey from 14–18 November (and also replaces the IGE for 2005). It reviewed the application of the 1980 Set of principles and rules on competition, gave guidance to UNCTAD on its programmes on competition and consumer protection, and made proposals for improving the implementation of the Set. The Conference was opened by the Secretary-General of UNCTAD and the Acting Prime Minister of Turkey, and was chaired by the President of the Turkish Competition Authority. During the five days of the Conference, which was attended by some 400 delegates from around the world, two voluntary peer reviews on competition law and policy, namely for Jamaica and Kenya were held for the first time in UNCTAD. The Conference also held six in-depth panels on: (a) international

¹⁷ See section on Subprogramme 3: International Trade in "Implications of the outcomes of UNCTAD XI for the work programme for 2004-2005" (TD/B/WP/174, 10/08/2004).

cooperation on competition issues, including in regional trade arrangements (RTAs) as a follow-up to a specific recommendation from UNCTAD XI; (b) on special and differential treatment related to competition law and policy; (c) on the role of economics in competition law implementation; (d) on the role of the judiciary in competition law implementation; (e) on hard-core cartels; and (f) on the role of competition policy in the informal sector. These were followed by a Business Forum, in which participants examined how competition law and policy could contribute to enhancing the enterprise sector, including SMEs in developing countries, increasing the competitiveness of such firms.

93. On its closing session, the Conference unanimously adopted a Resolution (TD/RBP/CONF.6/14), which, *inter-alia*, recognizes the role competition policy plays in promoting competitiveness, building entrepreneurship, facilitating market access and entry, enhancing the equity of the international trading system, and ensuring that trade liberalization brings about development gains. In its resolution, the Conference further reaffirms the validity of the UN Set on Competition and calls upon all member States to make every effort to fully implement its provisions. States are invited to increase cooperation between their competition authorities and Governments, especially when anti-competitive practices occur at the international level; such cooperation being particularly important for developing countries and countries with economies in transition. The Conference also recommended that the General Assembly convene a sixth Review Conference under the auspices of UNCTAD in 2010.

94. Pursuant to the São Paulo Consensus, the Conference also decided upon the broad lines of UNCTAD's future work programme, including the voluntary peer review process initiated during the Conference, and recommended the continuation and strengthening of the important and useful work programme within the UNCTAD secretariat and intergovernmental machinery, which proceeds with the active support and participation of competition law and policy authorities of member States. In conclusion, the Conference also agreed on the provisional agenda of the forthcoming 2006 session of the Intergovernmental Group of Experts on Competition Law and Policy and decided that the Group would consider four specific competition policy issues for better implementation of the Set, as they relate to: (i) sectoral regulators; (ii) hard-core cartels; (iii) cooperation and dispute settlement mechanisms; and (iv) subsidies.

- *Intergovernmental Group of Experts on Competition Law and Policy*

95. The ninth session to the Commission on Investment, Technology and Related Financial Issues (7–11 March) was briefed on the results of the sixth session of the Intergovernmental Group of Experts on Competition Law and Policy (8 to 10 November 2004). The IGE had discussed four major issues namely: (a) the strengths and weaknesses of peer review related to competition law and policy; (b) cooperation and dispute mechanisms in regional integration agreements; (c) evidence-gathering and cooperation in hardcore cartel investigations; and (d) advocacy in promoting awareness of competition policy in developing countries. The IGE also revised a number of reports submitted by UNCTAD and gave guidance on UNCTAD's technical cooperation programmes on competition law and policy. The IGE adopted agreed conclusions, on a substantive work programme for UNCTAD in the field of competition law and policy, and in particular with respect to the preparations for the Fifth UN Conference to Review all Aspects of the Set.

(2) Technical documentation

96. The Branch prepared, among others, the following documentation and some of which served as sessional documents for the Fifth Review Conference of the UN Set:

- ✓ Handbook on Competition Legislation (TD/RBP/CONF. 6/2).
- ✓ Types of common provisions to be found in different type of cooperation agreement on competition policy and their application (TD/RBP/CONF.6/3).
- ✓ Synthesis of recent cartel investigations that are publicly available (TD/RBP/CONF.6/4).
- ✓ Recent cases involving restrictive business practices in more than one country (TD/RBP/CONF.6/5).
- ✓ Review of capacity-building and technical assistance on competition law and policy (TD/RBP/CONF.6/6).
- ✓ Voluntary peer reviews on competition law and policy: Jamaica. Overview (TD/RBP/CONF.6/7).
- ✓ Voluntary peer reviews on competition law and policy: Kenya. Overview (TD/RBP/CONF.6/8).
- ✓ Ways in which possible international agreements on competition may apply to developing countries (TD/RBP/CONF.6/9).
- ✓ An assessment of the application and implementation of the UN Set on Competition (TD/RBP/CONF.6/10).
- ✓ Role of possible dispute mediation mechanisms (TD/RBP/CONF.6/11; TD/B/COM.2/CLP/37, Rev.2).
- ✓ Experiences gained on international cooperation on competition policy (TD/RBP/CONF.6/12; TD/B/COM.2/CLP/21/Rev.3).
- ✓ Best practices for defining respective competencies (TD/RBP/CONF.6/13; TD/B/COM.2/CLP/44/Rev.1).
- ✓ Review of recent experiences in the formulation and implementation of CLP in selected developing countries (UNCTAD/DITC/CLP/2005/2).
- ✓ The Southern African Customs Union (UNCTAD/DITC/CLP/2005/3).
- ✓ Exclusionary anti-competitive practices (UNCTAD/DITC/CLP/2005/4).
- ✓ Competition provisions in regional trade agreements (UNCTAD/DITC/2005/1).
- ✓ Voluntary peer review on competition policy: Jamaica (UNCTAD/DITC/CLP/2005/5).
- ✓ Voluntary peer review on competition policy: Kenya (UNCTAD/DITC/CLP/2005/6).
- ✓ Directory of competition authorities (TD/B/COM.2/CLP/49).

(3) Advisory services, technical assistance and capacity-building

97. The capacity-building and technical cooperation activities of the Branch aim to create a competition culture worldwide, in particular by assisting beneficiary countries in the preparation, revision and implementation of competition legislation. During 2005, the Branch provided assistance to countries in formulating or revising competition policies, contributing to a better understanding of the issues involved, and building national institutional capacity to enforce effective competition legislation. It also provided assistance to regional groupings of States on common competition rules as well as regional cooperation on competition issues.¹⁸

¹⁸ Details of all activities in this area are available at: <http://www.unctad.org/en/subsites/cpolicy>.

98. In 2005 the Branch continued to provide capacity-building and technical assistance on competition law and policy to developing countries and countries in transition. Technical assistance included the preparation, adoption, revision or implementation of national competition and consumer protection policies and legislation. This assistance, which was also delivered in the form of national seminars and workshops, was provided to Angola, Bhutan, Bolivia, Botswana, Brazil, Cambodia, Costa Rica, Egypt, El Salvador, Indonesia, Jamaica, Jordan, Kenya, Laos, Lesotho, Malaysia, Malawi, Morocco, Mozambique, Namibia, Nicaragua, Romania, South Africa, United Republic of Tanzania, Thailand, Uganda, Zambia, and Zimbabwe.

99. The Branch registered considerable progress in its COMPAL (Competition and Consumer Protection Policies for Latin America) programme for five Latin American countries (Nicaragua, Costa Rica, El Salvador, Peru, Bolivia), supported by SECO (Switzerland). In each country, various activities were implemented that included studies on competition issues in selected sectors, training workshops and technical seminars, review of consumer and competition laws, and the provision of advisory assistance.

100. At the regional and sub-regional levels, with UNCTAD's assistance, COMESA adopted common competition rules in early 2005. The Branch also prepared a draft agreement for regional competition policy for member States of the South African Customs Union (SACU) which was adopted by Ministers in 2005. The Branch assisted CARICOM (Caribbean Community) in the drafting of its application guidelines on consumer protection.

101. At the request of Kenya, Zambia, Malawi, Zimbabwe, United Republic of Tanzania, and South Africa, the Branch held a seminar in Kenya for judges and public prosecutors on the enforcement of competition law, as well as a Training Course on investigation and evidence-gathering on competition cases. The Branch also cooperated with the Brazilian authorities to hold a training workshop for Lusophone countries in Brasilia.

102. The Branch contributed to the Division's implementation of a development account project on enhancing awareness of the contribution of trade to the attainment of the MDGs. It organized a Romanian National Seminar on Competition Law and Policy (Bucharest, 16–17 March), together with the Romanian Competition Council and the Romanian Chamber of Commerce and Industry, as a preliminary event to the International Conference on the Contribution of Competition Policies to the Achievement of the UN Millennium Development Goals (MDGs) in Countries in Transition (Baku, Azerbaijan, 27–28 September). The international conference was attended by competition authorities and ministries of countries with economies in transition, including East European countries, as well as representatives from competition authorities of several developed countries, international organizations, academia, financial institutions, business circles and the media (more than 80 participants took part in the meeting).

(4) Cooperation with other organizations

103. The Branch cooperates with a wide range of actors active in competition and consumer policies. In 2005, it cooperated closely with the OECD, IDB, Consumers International (CIROAP), European Commission (EuroMed), International Competition Network (ICN), and CUTS.

B: Assessment and lessons learnt

104. The São Paulo Consensus recognized competition policy as a cross-cutting issue with an important role in the promotion of supply capacity, competitiveness for development, market access and market entry, as well as in ensuring the equity of, and development gains from, the trading system. UNCTAD's central and unique role in this field was reconfirmed, and its work programme reinforced, by the Fifth Review Conference of the Set, particularly to help ensure that anti-competitive practices do not impede or negate the realization of the benefits that should arise from liberalization in global markets, particularly for developing and least developed countries.

105. The Fifth UN Review Conference held intensive consultations in six high-level panels and two voluntary peer reviews, namely of Jamaica and Kenya. The results of these consultations are directly taken into account by individual member States when dealing with their competition policies and provide an important impact on their participation in international trade negotiations, particularly in bilateral and regional trade agreements, as reflected in the Resolution unanimously adopted by the Review Conference. The resolution also recommends that the General Assembly convene a Sixth Review Conference in 2010 and decided the modalities and agenda of the next Intergovernmental Group of Experts on Competition Law and Policy to be held in 2006. This procedure ensures continuity in UNCTAD's work programme on competition law and policy and consumer protection, and confirms the success of the IGE sessions on competition law and policy, and the active support of member States for these meetings. The practical value and impact of policy, recommendations and information in the area of competition law and policy and consumer protection as contained, in particular, in appropriate reports and publications, was endorsed by the sixth session of the IGE, which received a favourable assessment by representatives of member States during the Fifth Review Conference. Replies received to questionnaires sent during meetings, including capacity-building seminars and workshops show high appreciation of the documentation by participants, as witnessed by the summaries of ratings, indicating an average of about 80 per cent of "essential" and "very useful" evaluations of documents and publications.

106. UNCTAD continued its demand-driven efforts to assist in the creation of competition culture to individual developing and least-developed countries, transition economies, as well as regional and sub-regional integration groupings of States. For this purpose, assistance in the form of conferences, seminars, workshops, training and advisory missions was provided in assessing the adverse effects of anti-competitive practices on trade and development and in taking steps to adopt, reform and implement effectively competition laws and policies, including by advising on the drafting of domestic competition and consumer protection legislation or regional rules in this field, and on institution-building in respect of competition authorities. The feedback received from the technical cooperation activities were very favourable. UNCTAD is considered by the international community as one of the principal international organization active in this area.

107. UNCTAD's activities have greatly contributed to the awareness of developing countries on the necessity of adopting and effectively implementing competition law and policy. Beneficiary countries in 2005 include Botswana, Cambodia, Costa Rica, Egypt, El Salvador, Kenya, Laos, Lesotho and Malaysia, which have all achieved most progress in the preparation, adoption, revision or implementation of national competition legislation as a result of UNCTAD activities. It should be noted in this respect that demands for assistance in the field of competition law and policy and consumer protection have by far exceeded the assistance

provided by UNCTAD, due to limitations of its resources. UNCTAD technical cooperation meetings were highly praised, as evidenced by the replies to the evaluation questionnaires distributed during these events.

108. Outputs by UNCTAD provided an opportunity for an exchange of views and sharing of experiences between government officials involved in competition issues, international experts, representatives from regional and international institutions and civil society. They helped to position member States on the role of competition policy in the promotion of competitiveness and development; the need for a development-oriented competition policy and its implications at the national, regional and international levels; and the strategies for international cooperation in the field of competition law and policy including in helping to promote achievement of the MDGs.

109. As countries seek to elaborate development-oriented competition and consumer policies to enhance their competitiveness and development, more in-depth economic analysis has been requested, both in relation to their domestic needs, as well as international negotiations. In particular, the need to strengthen capacities at the regional levels has been demonstrated. In providing its contribution to enhancing member States' understanding of competition-related issues in the overall development process, UNCTAD's consultative, analytical, capacity-building and technical cooperation activities will need to take better account of domestic economic realities and the potential offered by regional integration. This needs to be achieved in close cooperation and with technical and financial support from national competition agencies of developed countries and their donor institutions. This close cooperation between UNCTAD, donor institutions and developing countries competition authorities has proven to be very effective in exchanging knowledge, expertise and developing networking among competition experts. Specific attention is, and should continue to be given to, the feedback received from users of different outputs/activities, in order to adjust the assistance provided to the demand.

VI: TRADE, ENVIRONMENT AND DEVELOPMENT BRANCH

Increased awareness and ability of developing countries to develop mutually supportive trade, environment and development policies at the national and multilateral levels, with due consideration to gender equality in discussions and decision-making. (Expected accomplishment (e) of the subprogramme, Table 12.15 in document A/58/6 Sect.12).

A: Major outputs and activities¹⁹

110. The Branch, which has two sections, implements UNCTAD XI's mandates on assuring development gains from international trade and trade negotiations in respect of trade, environment and development, as reflected paragraphs 87, 88, 95, 101, 103 and 105 as well as 11, 115 and 116.²⁰ *The Trade and Sustainable Development Section* works to address constraints faced by developing countries, especially LDCs, in the trade, environment and development nexus, and supports their effective participation in international deliberations, in particular in the WTO. The section publishes the annual Trade and Environment Review, which analyses topical issues at the interface of trade and environment, including those under WTO negotiations. The section conducts the activities of UNCTAD's new Consultative Task Force on Environmental Requirements and Market Access for Developing Countries (CTF) and the UNEP-UNCTAD Capacity-Building Task Force on Trade, Environment and Development (CBTF). *The BioTrade and Climate Change Section* works to promote trade and investment in biodiversity-based products and services in developing countries to further sustainable development. It also explores trade implications of climate change policies and the trade, investment opportunities for developing countries deriving from the Clean Development Mechanism (CDM) of the Kyoto Protocol of the UN Framework Convention on Climate Change (UNFCCC).

(1) Intergovernmental deliberations and consensus-building

- *Commission on International Trade in Goods and Services, and Commodities, and expert meetings*

111. The Branch provided inputs to the ninth session of the Commission on Trade in Goods and Services, and Commodities in respect of the topic of trade, environment and development. It prepared the background document on "Trade, environment and development" (TD/B/COM.1/70) that served as a basis for discussion by the Commission. Selected trade and environment issues that had received considerable attention in international debate, such as environmental goods and services (EGS), were discussed by the Commission. UNCTAD's activities on EGS include contributions to the work of the Special Session of the WTO Committee on Trade and Environment, CBTF studies and policy dialogues, a project-based CTF activity, work on standards and enhanced market access in the field of organic agriculture, activities of the Biotrade Initiative to promote opportunities for trade in products derived from the sustainable use of biodiversity, and the recently created Biofuel Initiative. The Branch serviced the Commission's consideration of the results of the Expert Meeting on New and Dynamic Sectors (7 to 9 February),

¹⁹ Detailed information on all activities of the Trade, Environment and Development Branch is available at: www.unctad.org/trade_env.

²⁰ See section on Subprogramme 3: International Trade in "Implications of the outcomes of UNCTAD XI for the work programme for 2004-2005" (TD/B/WP/174, 10/08/2004).

especially in respect of renewable energy products, including bio-fuels for which it had prepared a report on Biofuels - Advantages and trade barriers (UNCTAD/DITC/TED/2005/1).

112. The Branch has prepared a policy paper for the tenth session of the Commission in 2006 on "Trade, environment and development" (TD/B/COM.1/79) to serve as the background note to the Commission's deliberations on the same topic.

(2) Participation in WTO-related activities

113. The UNCTAD *Trade and Environment Review 2005*, prepared by the Branch, focused on the implications for the market access of developing countries of environmental and related health requirements (ERHRs), which are included in current Non-Agricultural Market Access (NAMA) and implementation negotiations at the WTO.

114. UNCTAD has also carried out considerable work on other environment-related issues prioritized in the Doha Work Programme:

- Regarding environmental requirements and market access, a series of national and sub-regional workshops and meetings were held for a number of developing countries under two projects: "Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues", financed by UK-DFID; and the CTF, funded by the Dutch Government. At the request of several member States, UNCTAD made a presentation on key findings and conclusions of its sector-focused work on environmental requirements and market access at the WTO Committee on Trade and Environment session on 6 July.
- Regarding the relevant provisions of the TRIPS Agreement, a book entitled *Elements of National Sui Generis Systems for the Preservation, Protection and Promotion of Traditional Knowledge, Innovations and Practices and Options for an International Framework* (UNCTAD/DITC/TED/2005/18) was published.
- Regarding the relationship between the TRIPS Agreement, the Convention on Biological Diversity (CBD), and the protection of traditional knowledge and folklore, UNCTAD commissioned a study entitled *Analysis of Options for Implementing Disclosure of Origin Requirements in Intellectual Property Applications* (UNCTAD/DITC/TED/2005/14). The study was provided in response to the Convention on Biological Diversity's invitation to UNCTAD to examine and report on issues related to disclosure of origin requirements in intellectual property applications.
- Regarding labelling requirements, considerable work has been carried out on promoting exports and facilitating market access of organic agricultural products from developing countries. This includes the continued work of the UNCTAD/FAO/IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF) and technical cooperation projects as well as work in several East African countries in the context of the UNEP-UNCTAD CBTF.

115. The Branch provides support, upon request, to the Doha negotiations on the liberalization of trade in EGS. In the run up to the sixth WTO Ministerial Conference, UNCTAD, together with

UNEP under the CBTF, conducted a number of national and sub-regional workshops and advisory missions to China and Jordan with the aim of building the capacity of developing countries to deal with the EGS negotiating mandate.²¹ Judging from the feedback received from countries, these activities have been instrumental in promoting a better understanding of the proposals made to date in the WTO Committee on Trade and Environment Special Session. UNCTAD, at the request of the WTO membership, participated as an observer and reported on its work to the Committee's sessions in February and October.

(3) Technical documentation

116. In addition to the reports already mentioned, the Branch prepared the following:

- ✓ Trade and Environment Review 2005 (UNCTAD/DITC/TED/2005/12), an annual publication that addresses key trade and environmental issues from a development perspective. The 2005 issue focuses on the relationship between environmental requirements and market access for developing countries. The Review includes both general and sectoral analyses of the issue, and looks at two sectors where environmental requirements are critical to market access: electrical and electronic equipment and organic agricultural products. The Review also provides an overview of recent UNCTAD technical cooperation and capacity-building activities in the area of trade and environment.
- ✓ Strategy on solutions for harmonizing international regulation of organic agriculture, background papers of the UNCTAD/FAO/IFOAM international task force on harmonization and equivalence in organic agriculture, vol. 2.
- ✓ Overview of the current state of organic agriculture in Kenya, Uganda and the Republic of Tanzania and the opportunities for regional harmonization (UNCTAD/DITC/TED/2005/16).
- ✓ Report of the First Substantive Meeting of the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries, Geneva, 5–6 November 2004 (UNCTAD/DITC/TED/2005/2).
- ✓ A series of 10 country case studies on national codes on good agricultural practice (GAP) that can be ultimately benchmarked to EurepGAP. UNCTAD also commissioned a study to the EurepGAP secretariat (i.e. FoodPlus GmbH) outlining its strategy on benchmarking of national GAP codes.
- ✓ BioTrade Initiative Implementation Strategy.
- ✓ Sector assessments for natural ingredients, a series of market studies for selected natural ingredients for the cosmetics and pharmaceuticals industries.
- ✓ Registration, evaluation and authorization of chemicals – REACH.
- ✓ Missing the market: how exotic foods are being barred from the EU.
- ✓ The EU novel food regulation: impact on the potential export of exotic traditional food to the European Union.
- ✓ The BioTrade initiative and verification: marketing "bioTrade" natural ingredients through a verification/certification scheme.
- ✓ BioTrade in the Andean sub-region - development opportunities.
- ✓ An assessment of the biofuels industry in India.

²¹ Paragraph 31(iii) of the Doha Ministerial Declaration.

(4) Advisory services, technical assistance and capacity-building

117. The *Trade and Sustainable Development Section* of the Branch implemented the following activities:

- a) Under the project "Building Capacity for Improved Policymaking and Negotiation on Key Trade and Environment Issues", a number of sub-regional and national meetings and workshops were held in Central America, Spanish-speaking Caribbean and South East Asia. The meetings focused on: (i) environmental requirements and market access for leather and footwear; electrical and electronic products; and horticultural produce; (ii) promoting export and market access for organic products; and (iii) liberalization in environmental goods and services. The meetings included:²²
- National Workshop on Environmental Goods and Services (13–15 July, Tegucigalpa, Honduras).
 - Sub-regional Workshop on Market Access, Environmental Requirements and Organic Agriculture (30–31 March, San José, Costa Rica).
 - National Training Workshop on Key Trade and Environment Issues (26–28 October, Phnom Penh, Cambodia).
 - National Training Workshop on Environmental Requirements and Market Access: The Case of Horticulture (3–4 November, Hanoi, Vietnam).
 - National Workshop on Trade, Environment and Sustainable Development (8–10 November, Managua, Nicaragua).
- b) The fourth meeting (Nuremberg, Germany, 28 February), and fifth meeting (Tunis, Tunisia, 5–7 December) of the UNCTAD/FAO/IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF).
- c) The Consultative Task Force on Environmental Requirements and Market Access for Developing countries (CTF) implemented the following activities:
- Investigating the possibility of developing an internet “portal” that facilitates access to and interfaces existing information clearinghouses on mandatory and voluntary requirements on environmental and health-related requirements.
 - Two clusters of activities that focus on, firstly, exchanges of national experiences on environmental requirements for electrical and electronic equipment (EEE) in key developed country markets, and secondly on the development of national or sub-regional codes on good agricultural practice for horticulture that are ultimately benchmarked to EurepGAP.²³ The following meetings were held as part of these project activities:
 - ✓ UNCTAD-UNESCAP workshop on Exchanging National Experiences among the Principal Exporting Developing Countries - Environmental Requirements and

²² A complete list of meetings and their documentation is accessible at: www.unctad.org/trade_env/test1/projects/field.htm.

²³ The Euro-Retailer Produce Working Group (EUREP) is a European based trade organization for retailers. Their membership consists of growers, product marketing organizations (PMO) and growers’ co-operatives, food manufacturers and retailers, including most major European supermarkets.

Market Access for Electrical and Electronic Goods (Bangkok, Thailand, 25–27 May).

- ✓ National workshop on Good Agricultural Practice and Benchmarking to EurepGAP, Thailand (Bangkok, Thailand, 25–26 November).
- ✓ UNCTAD sub-regional workshop on EurepGAP: potential and challenges of EurepGAP in Asia involving Malaysia, Thailand, the Philippines, and Vietnam (Manila, Philippines, 29–30 November).
- ✓ UNCTAD/INMETRO sub-regional Stakeholder Meeting on EurepGAP: Opportunities and Challenges for Central and Southern America involving Argentina, Brazil, Chile, and Costa Rica (Rio de Janeiro, Brazil, 8–10 December).

d) The staff of the Branch also participated as resource persons in a large range of meetings in 2005 organized by various UNCTAD member States, intergovernmental organizations and civil society organizations.

118. The *BioTrade and Climate Change Section* implements the BioTrade Initiative and related activities, a new BioFuels Initiative and started work on agro-biotechnology and international trade. UNCTAD's BioTrade Initiative supports sustainable development through trade and investment in biological resources in line with the objectives of the Convention on Biological Diversity (CBD). It gives concrete expression to the concept of sustainable use of biodiversity and reconciling biodiversity conservation with development aspirations of local communities in biodiversity- rich areas in developing countries. Over time, an increasing number of countries benefited from assistance offered by the Initiative. Key outputs included the following:

- (i) The BioTrade Initiative participates in relevant intergovernmental processes and creates platforms for discussion in the context of such processes. This includes organizing workshops and roundtable events. At the Conference of the Parties of Multilateral Environmental Agreements (MEAs), the Initiative provides parties with additional information on specific issues related to trade and biodiversity or shares its experiences at major United Nations and other international conferences.
- (ii) Together with partners, the BioTrade Initiative conducts and collects case studies and develops tools for trade and investment in products and services derived from biodiversity. These tools are designed for governments, the private sector, NGOs, academia, local and indigenous communities, as well as other international organizations. This covers, among other things, the design of methodological proposals, the elaboration of market studies, the gathering of existing experiences and identification of best practices. This information is disseminated to governments and civil society and is also made available through technical assistance activities.
- (iii) Technical assistance that is often provided in cooperation with specialised partners, and takes different forms, including: the provision of training workshops, the provision of technical inputs to the work of partners, financial support to partners to implement activities that allow them to apply and test new methodologies. The technical assistance provided is normally targeted at Governments and national service providers (e.g. institutional strengthening of export promotion organizations, focal points of BioTrade programmes, private sector associations, NGOs). Initiatives of the private sector and local

and indigenous communities are important but often serviced either through national service providers or through specialised international agencies. With a view to extending the Initiative to Africa, as recommended by UNCTAD XI, technical assistance was provided to initiate a National BioTrade Programme in Uganda, coordinated by the Uganda Export Promotion Board where a BioTrade Unit was created.

(iv) In promoting trade and investment in biodiversity-based products and services and in assisting developing countries in improving access to the international market, the Initiative implemented several actions. It worked with a group of other international organizations in sending a proposal on the revision of the European Union Novel Food Regulation (NFR) - Regulation (EC) No 258/1997 of the European Parliament and of the Council of 27 January 1997 concerning Novel Foods and Novel Food Ingredients.²⁴ The proposal, among others, includes introduction of simplified stipulations and procedures for importing exotic traditional foods into the EU that serve the interests of developing countries to alleviate rural poverty without compromising the objective of protecting the health of European consumers. The Initiative collaborates with the World Intellectual Property Organization (WIPO) in evaluating the possibility of using distinctive signs such as appellation of origin or collective trademarks to promote trade in the so-called "biotrade" products. Furthermore, the Initiative conducted a study on identifying the effects of the new EU legislation for chemicals - Registration, Evaluation, and Authorization of Chemicals (REACH) on biotrade products such as essential oils once adopted.

119. The BioTrade Initiative will pay special attention to: increasing private sector cooperation on issues related to market access and market creation; to match-making between exporters and importers; to market studies; to trade-related legal issues relevant to the biotrade enterprises; and to the development of sustainable use protocols for selected value chains.

120. The Branch launched a BioFuels Initiative in June to assist developing countries in better utilizing their bioenergy potential by building capacity in the production, use and trade of bio-fuels, as well as by raising public and private sector awareness of the challenges and opportunities of increased biofuel use. The initiative was launched with initial support from the United Nations Foundation (UNF) and in partnership with the International Energy Agency, FAO, UNEP-Risoe (Centre on Energy, Climate and Sustainable Development), and other UN agencies. This initiative constitutes a concrete follow-up to the *sectoral reviews of new and dynamic sectors in international trade*, mandated by UNCTAD XI and flowing from the first sectoral review conducted in February on, *inter alia*, renewable energy products, including biofuels.

121. Fact-finding missions were conducted, initially, in the Dominican Republic and East Africa and national assessment reports were published for a few countries, including an estimation of biofuel market potential addressing relevant economic, environment, national aspects and national strategies, role of key stakeholders, export possibilities, national supply and international demand. UNCTAD convened a ministerial-level side event on its new Biofuel Initiative at the eleventh session of the Conference of the Parties to the Climate Change

²⁴ For more information see: The EU Novel Food Regulation: Impact on the Potential Export of Exotic Traditional Food to the European Union, UNCTAD /BTFP and CBI, November 2005.

Convention (COP 11), which served as the first meeting of the Parties to the Kyoto Protocol in Montreal in December 2005. The event was webcasted and can be viewed at: www.unfccc.int.

122. The Branch carried out analytical and capacity-building activities on agro-biotechnology and international trade. To provide member States, and especially developing countries, with more information and analysis on this emerging and complex sector, UNCTAD published the study *International trade in GMOs and GM products: national and multilateral legal frameworks* (UNCTAD/ITCD/TAB/30).

(5) Cooperation with other organizations

123. A number of collaborative activities were implemented under the UNEP-UNCTAD Capacity-Building Taskforce for Trade, Environment and Development (CBTF) initiative. For the CBTF project on promoting production and trading opportunities for organic agricultural products in East Africa, activities included: (a) advisory mission to Kenya, the Republic of Tanzania and Uganda;²⁵ (b) a regional launch (Kampala, Uganda, 19 October); (c) Regional Steering Committee meeting (Kampala, 20 October); (d) Uganda National Integrated Assessment launch (Kampala, 20 October); (e) the meeting of the Regional Standard Technical Working Group (Kampala, 24 October) and (f) the Tanzania National Integrated Assessment launch (Dar es Salaam, 25 October). Follow-on activities will include the drafting of a regional standard for organic agriculture for East Africa, to be discussed at a second regional workshop in March 2006. In order to implement this project, UNCTAD and UNEP are collaborating with the FAO, the International Federation of Organic Agriculture Movements (IFOAM), ITC, Grolink and AgroEco through the 'Export Promotion of Organic Products from Africa' (EPOPA) Programme, and national institutions in the beneficiary countries.

124. Other CBTF activities included a workshop on Post-Doha Trade and Environment Issues (Santo Domingo, Dominican Republic, 21 July); a briefing session on the CBTF activities for 2005 convened during the WTO Committee on Trade and Environment regular session in July,²⁶ a regional workshop from Asian countries on key trade and environment issues held back-to-back with a WTO Regional Seminar (Manila, 16 June); a National Stakeholder Workshop on Definition, Criteria, Issues and Identification of Environmental Goods in the Philippines (Manila, 8 June); an advisory mission to Jordan on policy and technical aspects of the negotiations on environmental goods (Amman, 8 May,); a workshop on Negotiations on Environmental Goods and Services for the Andean Community Countries: Bolivia, Colombia, Ecuador, Peru and Venezuela (Lima, 12 April); and a side event on Trade Liberalization, Environmental Protection and Sustainable Development: Opportunities and Challenges for Small Island Developing States (SIDS) at the Summit Meeting of SIDS (Mauritius, 11 January).

125. In the context of work on EGS, the Branch closely collaborated with the WTO and OECD as well as with ICTSD, IISD and IIED. Activities included cooperation in servicing the first expert meeting on new and dynamic sectors (7–9 February) in respect of discussions on Environmental Goods: Renewable Energy Technologies and Equipment. On environmental requirements and market access, the Branch closely co-operated with IISD, STIC, Inmetro, the

²⁵ May/June 2005.

²⁶ Geneva, Switzerland, 6 July, 2005.

EurepGAP secretariat, the Chinese Chamber of Commerce, the Federation of Thai Industries, and the Philippine Promotion and Exporters Association.

126. UNCTAD responded to the request by the Secretariat of the CBD to examine and report on issues related to disclosure of origin requirements in intellectual property applications.²⁷

127. UNCTAD continued to work with FAO and IFOAM in the context of the International Task Force for Harmonization and Equivalence in Organic Agriculture (ITF). Two meetings of the ITF (fourth and fifth sessions) were held and a book was published.

128. Since its creation in 1996, the BioTrade Initiative has formed partnerships with various international, regional and national organizations to establish programmes that enhance the capability of developing countries to produce and market biodiversity products and services. Through the establishment of partnerships with national, regional and international programmes it seeks to strengthen the capacity of developing countries to enhance the production of value-added products and services derived from biodiversity for both domestic and international markets. For example, the BioTrade Initiative has joined efforts with ITC, CBI of Netherlands, SIPPO of Switzerland, among others, to address the promotion of local entrepreneurship in new sectors, and has also worked in devising appropriate certification schemes, product differentiation devices and lowering of unjustifiable non-trade barriers in order to facilitate greater market access for biotrade products in domestic and foreign markets. The new BioFuels Initiative is being implemented with several partners.

B: Assessment and lessons learnt

129. The number of references to findings and recommendations of UNCTAD's work in meetings of the WTO, WIPO, the OECD and other institutions has been substantial. For example, in 2005, WTO Members from developing and developed countries made 128 interventions in the Committee on Trade and Environment (regular and special sessions) and Committee on Technical Barriers to Trade referring to findings from UNCTAD's work.

130. The Branch was successful in mobilizing donor support for its technical assistance and capacity-building activities (from the Netherlands, the European Union, Sweden, Switzerland, and the UN Foundation). New financial contributions were obtained for work on environmental requirements and market access (the Netherlands and the European Union); the UNCTAD/FAO/IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture (from Sweden and Switzerland) and the UNEP-UNCTAD Capacity-building Task Force on Trade, Environment and Development (EU). The BioTrade Initiative has been meeting expectations of an increasing number of beneficiary countries and securing donor commitments to extra-budgetary activities through a dynamic and creative range of BioTrade partnerships.

131. The Branch has succeeded in providing practical value and specific impact on developing mutually supportive trade, environment and development policies. This is demonstrated by the active involvement of an increasing number of developing countries in sector- and country-specific activities carried out by the Branch as well as by references to UNCTAD's work in the WTO and WIPO, and in sessions of relevant Multilateral Environmental Agreements such as

²⁷ CBD Decision VII/19 on access and benefit-sharing.

CBD, CITES (Convention on International Trade in Endangered Species of Wild Flora and Fauna), RAMSAR (Convention on Wetlands) and Climate Change.

132. UNCTAD's technical cooperation and capacity-building activities have been supported by a wide range of developed and developing countries, including in the WTO. Many WTO Members have drawn on findings from UNCTAD's work in their interventions, in particular in the areas of trade in environmental goods and market access issues. UNCTAD was also invited by the Committee on Trade and Environment to submit two specific reports on its activities and findings on: (i) liberalization in environmental goods and services; and (ii) environmental requirements and market access.

133. Many private sector representatives participated in the sub-regional, national and training workshops organized under the project "Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues", as well as the activities of the CTF. The private sector actively supported analytical work and provided many resource persons. Project activities launched under the CTF are, to a significant extent, being implemented by or in close collaboration with the private sector, notably business associations in the electronics and horticultural sectors.

134. Over 95 per cent of participants who returned evaluation questionnaires for events organized in 2005 indicated that the activity had met the needs of their organization and was relevant for their work.

135. UNCTAD's activities on the key focal themes of: environmental requirements and market access; EGS; protection, preservation and sustainable use of biodiversity and traditional knowledge, and trade and investment opportunities under the Clean Development Mechanism, have demonstrated that greater concrete action at the international and national level is needed to promote a more pro-active strategy on trade, environment and development. This requires enhanced policy coherence at national level, active participation in international discussions, and more sector- and country-focused analysis and capacity development.

136. The launching of new CTF activities responds to the needs of developing countries in the area of environmental and related health requirements, which are a growing area of regulatory and standard-setting activity. UNCTAD's analytical and technical assistance activities have demonstrated that ensuring a transparent and consultative process with affected parties can do much to minimize their adverse effects. To ensure that they are not misused for reasons of trade protectionism, environmental requirements need to be the subject of greater focus by practitioners and policy-makers. The CTF will facilitate moves in this direction by helping to develop a more holistic and development-oriented approach on environmental requirements and market access.

137. Lessons learned so far from the BioTrade Initiative point to the following challenges ahead: (a) the abilities of local organizations and associations that participate in the projects must be strengthened; (b) reliable and timely information must be provided on potential markets for goods and services derived from biodiversity; (c) unnecessary restrictions (political, administrative and technical) on the development of biotrade must be reduced or eliminated; (d) technical, financial and political conditions must be provided to give added value to the goods and services derived from biodiversity; (e) information must be disseminated on activities being implemented to develop local, national, and international markets; (f) synergy must be

encouraged among similar projects in the countries; and (g) financing must be provided for initiatives or “seed” projects that are new to the traditional banking industry and, therefore, do not rely on lines of credit or are given extremely restrictive interest rates.

138. The collaborative and integrated approach to trade, environment and development is reflected in the Branch's work, including task forces such as the UNCTAD-FAO-IFOAM International Task Force on Harmonization and Equivalence in Organic Agriculture (ITF), the UNCTAD-UNEP CBTF, the CTF, the BioTrade partnership arrangements and the new Biofuels Initiative.

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