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**ASSURING DEVELOPMENT GAINS  
FROM THE MULTILATERAL TRADING  
SYSTEM AND TRADE NEGOTIATIONS**

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## **FOREWORD BY MR. CARLOS FORTIN OFFICER-IN-CHARGE OF UNCTAD**

Over the past two decades, the mixed record of trade performance, economic growth and poverty reduction across developing countries has been the source of the ongoing international debate on the role of trade and trade policy reform in the development process. Income inequality has grown and remains a problem between and within countries, and poverty remains endemic in developing countries, with about 1.2 billion people living on less than \$1 per day in 1999. This makes the Millennium Development Goal of halving poverty by 2015 a daunting challenge. Trade has a major role to play in addressing this challenge by way of raising income levels and reducing poverty levels in all regions.

Overall trading conditions appear favourable in the period ahead. International trade increased by 3 per cent in 2002 and 5 per cent in 2003; it could possibly increase by 7 per cent in 2004. Developing countries made a significant contribution with a robust 9 per cent growth. Much of this improved performance was attributable to increased import demand in developing and, to a lesser extent, transition countries.

However, there is a great divergences of performance in trade. Africa, Latin America and the LDCs recorded modest trade growth. LDCs and commodity-dependent countries, the large majority of which are African countries, continue to remain marginalized in international trade. Half of all developing countries depend on non-fuel commodities for more than half of their export earnings (two thirds if fuels are included). The share of LDCs in global merchandise trade, for example, witnessed a secular decline from 1.46 per cent in 1970 to 0.25 per cent in 2001. These countries thus remain vulnerable to external shocks. Their common and specific trade and development needs and interests require focused international attention.

A fundamental development challenge and opportunity today is to ensure that commercially meaningful and measurable development gains accrue to developing countries, especially the least developed among them, from their participation in the international trading system and trade negotiations – in other words to ensure that trade acts as an engine of growth, wealth creation and poverty alleviation for developing countries. With the momentum of the Millennium Declaration and Millennium Development Goals and international efforts to achieve them in the development, financial and trading spheres, there is great potential for the beneficial integration of developing countries into the international trading system. This could generate a “triple win” – a win for developing countries; a win for developed countries; and a win for the international trading system and world economy.

Nurturing and strengthening developing countries’ production and trading capacity and purchasing power can, in turn, contribute to spreading global prosperity, reducing poverty, and expanding markets, including for developed countries.

The multilateral trading system itself is at a cross-roads. The high expectations of development-oriented results from the Doha Work Programme, launched by the Fourth WTO Ministerial Conference in September 2001, were affected by the setback suffered by the Fifth WTO Ministerial Conference in Cancún in September 2003. The revitalization of the trade talks is now commanding the attention of WTO Members. Efforts by the Members and in other forums such as UNCTAD are needed to overcome the problems faced, promote flexibility, and facilitate consensus building that responds to core market access issues, with a significant development package. The "July Framework" provides a way forward in this regard.

In the view of the potential gains from the multilateral trading system, all countries have a shared interest in the success of the Doha Work Programme. This means giving priority to the core trade liberalization and development issues, such as market access (agriculture, manufactures, services) and market entry issues (non-tariff barriers, SPS, TBT, environmental standards, concentrated market structures), implementation issues, special and differential treatment, concerns of LDCs, technical assistance, working groups on small economies, trade and transfer of technology, and trade, debt and finance.

Such a focus would allow for manageability of the Doha negotiations and mainstreaming of the development agenda. At the same time, the resurgence of protectionism in some key markets, in both old and new areas of trade of importance to developing countries, needs to be countered. Also, enhancing the technological capacity of developing countries is important to building their productive capacity and increasing competitiveness. Greater space for innovation, and adaptation and improvement of technology in the light of local conditions and requirements, is crucial. Nationally, trade and development priorities need to be integrated into national development policies and plans, and vice versa.

Integration into the international trading system, however, entails short- and long-term costs, especially for developing countries. For example, there will be a continual need to address loss of employment, displacement of local production, erosion of preferences, loss of fiscal revenue from trade taxes and exposure to world market volatility. Coherence of trade with international financial systems is necessary in order to genuinely improve development prospects, which in many developing countries are undermined by continuing high debt repayments and other financial outflows. Moreover, efforts to ensure development gains must be based on an objective and realistic evaluation of the actual experience of developing countries and the influence of developed countries' policies.

The UNCTAD secretariat has a solid 40-year track record in promoting international dialogue and consensus on trade and development strategies that can enable developing countries to use trade as a motor for economic transformation. A renewed vision may now set the foundations for further strengthening the comparative advantage and uniqueness of UNCTAD, on the basis of the Bangkok Plan of Action and the São Paulo Consensus offers a road map in this regard. Such a "new trade and development solidarity" at the international, multilateral, regional and national levels inspired by the Millennium Declaration and Millennium Development Goals, can work towards poverty reduction.

This publication provides a summary of the UNCTAD XI interactive debate on "Assuring development gains from the multilateral trading system and trade negotiations." The deliberations and conclusions of the interactive session informed and guided the decisions reached by the Conference on sub-theme 3, ("assuring development gains from the multilateral trading system and trade negotiations") within the overarching theme of the conference, namely "enhancing coherence between national development strategies and global economic processes in support of economic development, in particular of developing countries".



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# **I. SUMMARY OF THE UNCTAD XI INTERACTIVE DEBATE 16 JUNE 2004<sup>1</sup>**

Prepared by the UNCTAD Secretariat

## **A. Assuring Development Gains from the Multilateral Trading System and Trade Negotiations**

## **B. Policy Options and Strategies to Support Developing Countries' Competitiveness in the Most Dynamic Sectors of International Trade**

The debate on how to better capture development gains from trade was initiated on the basis of background notes<sup>2</sup> provided by the secretariat, and with keynote presentations by President Yoweri K. Museveni of Uganda and President-Elect Leonel Fernández of the Dominican Republic. Discussions included observations and remarks made by 40 Ministers and Vice-Ministers, 10 senior officials, 6 representatives from international and regional organizations, and 1 civil society representative. The debate was chaired by H.E. Mr. Mukhisa Kituyi, Minister of Trade and Industry of Kenya, and H.E. Ms. Agnes M.A. Van Ardenne-Van Der Hoeven, Minister for Development Co-operation of the Netherlands. Mr. Rubens Ricupero, Secretary-General of UNCTAD, closed the debate.

The debate focused on the following interrelated issues: (a) assuring development gains from international trade, the international trading system and trade negotiations in an equitable manner; (b) strengthening competitive production and export supply capacity of developing countries; (c) improving market access and entry conditions in the main markets of developing countries; (d) enhancing the domestic value added of exports through diversification; (e) increasing the participation of developing countries in new and dynamic sectors wherein world trade is increasing at higher rates and long-term export potential is substantial; and (f) building human capital and institutional and regulatory infrastructures.

There was considerable emphasis on the difficulties faced by the commodities sector in developing countries in terms of both low and fluctuating prices and the shares of value added retained in developing countries, as well as the potential that this sector presents for sustainable development if appropriate international and domestic policies and measures are implemented. A common view emerged that market access and entry are a necessary but not sufficient condition for developing countries to reap gains from trade. Assuring such gains also depends on a range of external and domestic factors that affect the participation of developing countries in world trade. A number of developing country participants cited national experiences to underline this point. Support was expressed for UNCTAD's ongoing and new work in policy analysis, technical assistance and capacity building, and intergovernmental consensus building on current and emerging trade and development policy issues, the multilateral trading system and trade negotiations, as well as those issues related to the development of the commodities sector.<sup>3</sup>

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<sup>1</sup> This informal summary was prepared by the UNCTAD Secretariat.

<sup>2</sup> This debate was principally supported by two background notes prepared by the secretariat: *Assuring development gains from the multilateral trading system and trade negotiations* (TD/397) and *Strengthening participation of developing countries in dynamic and new sectors of world trade: Trends, issues and policies* (TD/396).

<sup>3</sup> Areas defined by member States for UNCTAD's work are set forth in the main Conference text: *The São Paulo Consensus* (TD/410).

## Maximizing development gains: Priorities for developing countries

Mankind has faced fundamental challenges over the ages. Not only natural adversity and resource scarcity, but also conflict between nation States, have constituted and continue to constitute, the background against which national Governments seek to improve human welfare, eradicate poverty, and ensure sustained development and social transformation. Priorities include reducing widespread poverty, disease, illiteracy and social inequality, while achieving environmentally sustainable development that ensures the viability of future generations. The growing interdependence of nations has increased the potential of trade to achieve these goals. However, in the rapidly changing era of globalization, accompanied by sweeping trade liberalization, developing countries expect that they should be enabled to effectively harness available resources to maximize the development gains from trade and to achieve the Millennium Development Goals. This remains a key challenge for the developing countries and the international community.

Making trade an engine of national economic growth and development is not automatic. This gives rise to the question of whether trade success leads to development or development leads to trade success. Both aspects have to be addressed. More efforts should be made to ensure that the participation of developing countries in international trade and trade negotiations, as well as in international commodity markets, leads to increased economic growth, and improved welfare and living standards in those countries, particularly for the poorest segments of their populations. Trade liberalization has to be such that it creates and adds to resources for development, and not a drain on it. An approach based on liberalization in developing countries for its own sake without consideration of their specific conditions could lead to de-industrialization, and increased poverty and unemployment.

National experiences with rapid, broad-based liberalization have clearly demonstrated that supportive national and international policies and actions must accompany the liberalization process for trade to deliver significant gains. Policy options and priorities in the national trade policy of developing and developed countries should be established with poverty at their centre, so that the poor can be incorporated into trade, for example by promoting the productive sectors in which they are engaged, and encouraging a transition from subsistence to commercial production. This is particularly important for the commodity sector, which provides the livelihood of a majority of the population in rural areas, where poverty is most widespread in developing countries. Enhanced market access for these poverty-sensitive products and services of developing countries to developed country markets should be provided, and anti-competitive market structures that act as market entry barriers need to be addressed. For such strategies to be made more effective, special attention should be given to domestic and international markets "of the poor" - that is, to those basic products and services, including access to essential services, that may have an immediate and direct impact on the poor's revenue, purchasing power and welfare.

## Developing countries and the international trading system

More effort should be devoted to ensuring that the participation of developing countries in international trade and trade negotiations leads to their increased economic growth, and improved welfare and living standards. At the multilateral level, nearly three years have passed since the launching of the Doha Round without any meaningful progress having been achieved. Nonetheless, by addressing the development needs of developing countries, the Doha negotiations can provide a unique opportunity to strengthen trade's contribution to advancing uniform and sustainable global economic development. Significant developments have been taking place in regional and bilateral North-South trade negotiations, and it is necessary to ensure that the development dimension and S&D treatment be maintained and enhanced. Developing countries' disappointment with the performance of the global trading system is widespread, as the experience of many of them shows wide gaps between their

expectations and the reality they experience, particularly in connection with the implementation of the Uruguay Round results. In some cases, as President Yoweri K. Museveni of Uganda pointed out, price distortions in markets where developing countries have a comparative advantage, particularly commodity markets, have contributed to a deterioration of their terms of trade, offsetting most of the development aid received and leading even to net negative transfers, thus turning poor developing countries into "donors" to developed countries rather than, as should be the case, beneficiaries of an open, non-discriminatory, predictable, equitable and rule-based trading system.

Despite the high levels of trade and market liberalization undertaken by most developing countries, resulting benefits have been limited to a few such countries and levels of poverty remain high. In many cases, obligations under structural adjustment programmes and multilateral trade agreements have required developing countries to open and privatize national markets too rapidly. For many developing countries, this has resulted in significant economic shocks and dislocations that actually reversed development progress through de-industrialization of abruptly exposed domestic industries, disintegration of public services infrastructure, and sharp declines in government tariff revenues and the human services and infrastructure expenditures they supported. This in turn has led to an increase in poverty levels. An important lesson has been learned from these negative experiences: no single blueprint or model can be successfully "transferred" to all developing countries. If the multilateral trading system is to be successful, it must be supportive of development in developing countries and should give developing countries space to pursue the development strategies best suited to them. Developing countries, therefore, remain firm in their resolve to ensure that Doha Round negotiations deliver on the development imperatives clearly set forth in the Doha Declaration.

#### The importance of developing countries' national policies

National Governments have an active role to play, particularly in the following: the provision of development finance and modern transport and communications infrastructure; facilitating access by the poor and women to employment and essential services; the development of human, institutional, entrepreneurial, regulatory and R&D capacities; and ensuring both the efficient and fair functioning of markets. National policies are crucial to ensuring that economic reforms and market orientation have a human and social face. The interests of rural populations, particularly in policies and actions that could lead to sustainable development of the commodity sector, must be given sufficient importance. This should also extend to the setting up of institutions and legal frameworks for the use of market-based instruments of commodity finance and risk management. Successful country experiences indicate that partnerships between government and business should be an integral aspect of national policies and actions, and that policy space and flexibility are required in order to allow Governments to adjust their supportive and regulatory interventions as the economy moves ahead. National competition policy and regulation to address cross-border anti-competitive practices are also important for strengthening the capacities and competitiveness of domestic industry. However, developing countries' national policies and the enumerated actions above are not enough: they must be supplemented by conducive international policy frameworks and support measures.

#### Preserving policy space for developing countries

Given the fragile and relatively immature nature of developing countries' economies, it is important that international policy frameworks provide developing countries with the flexibility to assume international trade liberalization obligations progressively and at a pace that ensures that net development gains accrue from their increased integration into the global economy. At the same time, international policy frameworks must ensure that developing countries' national policy space for development is preserved, permitting them to adapt

national trade and development policies as required in order to guide this successful economic transformation. Together, progressive liberalization and adequate national policy space can support developing countries' transition from the export of basic commodities to the export of products with higher value added and technological content, and assist in their increased involvement in global issues concerning services trade.

#### Overcoming supply-side constraints in developing countries

Insufficient supply capacity, competitiveness and infrastructure limit the participation of developing countries in international trade. Substantial investment to enhance supply capacity, productivity and trade-related infrastructure must accompany trade if it is to spur economic development and diversification. Strengthened domestic investment can also be facilitated when development cooperation programmes provide developing countries with meaningful debt reduction that genuinely pulls indebted countries out of the debt trap. Efforts by developing countries to attract development-oriented foreign investment, and to access agricultural, industrial and information technology and know-how, should be supported through adequate development co-financing provided through bilateral and multilateral channels. Since the small commodity producers find it especially difficult to meet quality and other requirements of developed country markets and large distribution networks, particular attention must be given to the establishment of the necessary physical and institutional infrastructure for use by these producers.

Improving competitive domestic supply capacity in order to strengthen participation in dynamic global value chains should be accorded high priority. This depends on a variety of factors, ranging from improving transport, communications and services infrastructure to building human and institutional capacities and the provision of timely and easy-to-use information. These factors are different for different countries and sectors. The availability of an adequate and well-trained workforce is necessary in order to enhance productivity, which requires a special focus on education and training policies within the overall policy framework. Well-developed transport, communications and services infrastructures are essential for supporting the necessary structural transformation. Some developing countries have established dedicated growth areas as hubs for industrial and technology development in order to channel investment into areas of potential dynamic comparative advantage. Ensuring fairer global competition in the agricultural, basic manufacturing and services sectors will generate improving productivity and resource allocation in many new and dynamic sectors of world trade. This will require significant reform by developed countries in their domestic support and subsidy practices, their elimination of tariff peaks and escalation affecting processed commodities, and greater transparency in, and ease of compliance with, their non-tariff barriers.

#### Role of developed countries

Developed countries have assumed responsibility for supporting the achievement of the MDGs by developing countries through appropriate trade, aid, financial, monetary, technology transfer and development policies. It is important that they demonstrate this support on a continuing and enhanced basis to ensure *inter alia* that developing countries reap the expected development gains from the international trading system. The importance of development solidarity was recognized and some developed country ministers (e.g. from the Netherlands and the United Kingdom) announced special initiatives in this regard.

The Netherlands presented a comprehensive report on the fulfilment of the commitments made under the MDG-8 (global partnership for development), covering important areas such as development aid, trade, debt relief, affordable essential drugs and foreign direct investment. The report offers a valuable framework for planning and monitoring efforts towards achieving the targets specified in MDG-8, in relation to not only the UN Millennium

Declaration, but also the Monterrey Consensus on Finance for Development and the WSSD Plan of Implementation. As other developed countries are also preparing MDG-8 reports, a common format would further improve transparency in reporting and allow mutual comparison among donors. At the moment, standardized data collection and analysis appear to be problematic and the report calls for the UN to play a crucial role in facilitating this process.

The United Kingdom indicated its commitment to an International Finance Facility (IFF). The IFF concept builds on the additional \$16 billion already pledged in 2002 in Monterrey and on additional money from the international capital markets to increase the amount of development aid for the years to 2015 from \$50 billion a year to \$100 billion a year. By locking in commitments from a wide variety of donors, the IFF would also improve aid effectiveness by providing recipient countries with the predictable, stable and coordinated aid flows that they need. That would help put them on a sustainable and lasting path to poverty reduction, prosperity and participation in the world economy.

Developed countries should support enhanced market access and market entry for goods and services of export interest to developing countries in a non-reciprocal manner. Substantial reductions are needed in both tariff and non-tariff barriers affecting these goods. Eliminating trade-distorting interventions in sectors of interest to developing countries (agriculture, textiles and services) would create a fairer and more equitable trading system by allowing market forces to operate in areas where developing countries have a comparative advantage. Concern was expressed about market entry barriers, especially product standards, SPS measures, TBTs, rules of origin and anti-competitive practices of global enterprises which nullify or impair market access in developed country markets. Developed countries should take measures to reduce such barriers and enable developing countries to overcome them. They should also put in place trade facilitation measures to reduce transaction costs and transit times for developing country exports. Their policies and actions should not constrain the ability of developing countries to utilize the policy space and flexibility available to them in the context of the multilateral trading system (MTS), North-South regional trade agreements (RTAs) and bilateral trade agreements.

#### Partnership between developed and developing countries

With increased globalization, linkages between developing and developed countries have expanded. Continued poverty and low incomes in developing countries are against the interests of all countries and people, as they constitute a major impediment to the growth of global incomes, demand and consumption. It is thus in the commercial interest of developed countries that developing countries grow, create jobs, promote sustainable development and eradicate poverty. These linkages point to the need for an effective, results-oriented partnership between developing and developed countries covering trade, investment, development finance and technology. Endogenous poverty reduction as a result of accelerated economic growth and development in developing countries should be a primary objective of this partnership. For example, there are innovative and successful partnerships established in developing countries by large firms of developed countries that contribute to the development of the commodity sector. Such examples of corporate responsibility for development in the core business areas of companies merit further emphasis. Partnership between developed and developing countries in the area of commodities should also extend to the operations of international commodity agreements and arrangements.

#### Corporate responsibility for development

In many international markets (including commodities, manufactures and services sectors), research and development, as well as transfer of technology, take place in vertical and horizontal integration of production structures, led by global enterprises. At the same time,

the difficult situation of some of those markets is hard to ignore, and developing countries are increasingly dependent on such production structures for ensuring development gains from the international trading system. It is now increasingly recognized that no solution will be possible without substantial participation by the corporate sector in the search for solutions and appropriate measures that would allow increased value creation and retention and development infrastructure in host countries. These issues call for increased corporate responsibility for development to ensure a more equitable redistribution of the benefits reaped by global enterprises from trade liberalization and trade negotiations, including through efforts to ensure fair trade and expand investment in broader economic and social development in developing countries. Such responsibilities have been already included in corporate strategies by global commodity processors, mining companies, retailers and supermarket chains. To encourage this trend, measures in home countries and international trade rules should provide incentives for global enterprises to take on increased corporate responsibilities for development. Furthermore, there is an increasing need for international cooperation and disciplines to counter anti-competitive practices by global enterprises that are harmful to producers, enterprises, particularly SMEs, and consumers in developing countries.

#### Market access and entry

Countries need to ensure that trade negotiations, either at the multilateral level or as part of North-South regional integration schemes, respond to the development imperatives needed to support their national development goals and strategies. Prominent among the issues to be advanced in negotiations in order to generate greater development gains from trade are effective market access and market entry in developed countries for agriculture, goods and services of export interest to developing countries. For many developing countries, agriculture is a mainstay of their export economies. Agricultural production and exports remain essential for sustaining livelihoods and reducing poverty for the majority of people living in developing countries. Reducing trade-distorting domestic support and export subsidies by developed countries so that producers and exporters of agricultural products from developing countries can compete fairly in domestic and foreign markets is a key objective of trade negotiations on agriculture. Tariff peaks and escalation must also be reduced to facilitate a shift from the export of raw to processed agricultural goods and enhance participation in global value chains. This issue is also important for several categories of manufactures, particularly non-durable consumer goods, including not only textiles and clothing, electronics or automotive parts, but many other products as well. In the services (GATS) negotiations developing countries seek a greater opening of highly protected developed country services markets in their areas of comparative advantage, particularly for Mode 4 (temporary movement of workers) and Mode 1 (information and communication technology enabled services).

A large part of the barriers that developing countries face in export markets, particularly in the case of commodities, are outside the scope of international trade negotiations. These market entry barriers stem from the actions and requirements of private importers or from the structure of international markets that put small developing country exporters at a disadvantage. Private importers in developed countries should refrain, as much as possible, from imposing quality and other conditions that would be impossible for developing country exporters to meet, and developed country Governments should discourage the introduction of such conditions.

#### Preferential schemes

Developing countries have benefited from preferential trading arrangements such as the GSP, ACP, EBA, AGOA and other schemes. However, the benefits in many cases have been below expectations. Hence, innovative policies need to be introduced in such schemes, including flexible rules of origin that match the industrial capacity of beneficiary developing countries. Moreover, there is a need for developed countries to improve preferential schemes for many

preference-receiving LDCs with highly concentrated export structures. Many LDCs and other developing countries with small economies view such measures as minimum requirements for increasing the very small share of international trade which they account for, mainly in primary commodities, and which constitutes at least 50 per cent of the total export revenues for 83 of such countries. Conditionalities attached should be rationalized so that eligibility for such schemes is not blocked. Preference erosion as a result of MFN and other liberalization initiatives is a concern for LDCs, and some trade- and development-based non-debt creating solution should be found to help affected countries cope with often significant adjustment costs.

### South-South trade

Trade exchanges among developing countries constitute a promising area of current and future trade growth. This "silent revolution" in the last ten years confirms the enormous potential of South-South trade. Many developing countries, especially the more diversified and dynamic among them, have become major trading partners for other countries of the South. However, such trade is also characterized by high barriers – tariff and non-tariff measures – often erected to protect domestic sectors from more competitive developed country producers. Developing countries can pursue further and deeper South-South trade liberalization and expansion in the framework of the Global System of Trade Preferences (GSTP). The growing trend in South-South trade and regional integration can allow developing countries to take advantage of regional partnerships for the division of production in global supply chains. In such arrangements, care should be taken to ensure that weaker partners can effectively benefit.

### Regional integration arrangements

South-South regional integration arrangements have demonstrated a formidable potential for boosting the trade of developing countries. Over the past two decades or so, the number of South-South RTAs has increased substantially and steadily. Partly as a result of such a trend towards regionalism, the volume of South-South trade in world trade nearly doubled, and the interdependence among developing countries increased significantly. At the same time, North-South agreements have emerged as a significant form of regional integration in the international trade scene. An emerging difficulty confronting developing countries today is the simultaneous negotiation of trade agreements at the multilateral, regional, subregional and bilateral levels. Some North-South agreements contain “behind the border” provisions that significantly affect domestic regulatory areas in developing countries, including services, investment, intellectual property rights, competition policy, government procurement, labour, environment and development cooperation, thereby going beyond multilateral disciplines and liberalization commitments. It is thus important to ensure coherence between the multilateral process of negotiations, the building up of free trade areas and the formulation and implementation of national policies, so as to maximize the trade and development linkages.

### Encouraging greater participation of developing countries in dynamic and new sectors

The international trading system should allow developing countries to achieve better and higher returns from their exports of commodities, manufactures and services, including through trade and investment synergies that enable increased value added and technology intensity. There should be genuine liberalization by their major trading partners in sectors where developing countries have current and emerging comparative advantages. This means giving better access to labour-intensive exports of goods and services of developing countries and more scope for the mobility of developing country labour in international trade.

There is a need for immediate actions in the multilateral trading system to promote greater participation of developing countries in trade in textiles, agricultural products and services. In

trade in *textiles and clothing*, the expiry of the ATC would bring to an end the over 40-year-old discriminatory trade regime governing and restricting textiles and clothing exports from developing countries (despite the pressures from some textile and garment industry associations to extend the quota restrictions). The implementation record of quota elimination over the last ten years has seen the backloading of quota elimination. As a result, significant consolidations and adjustments expected during the transition period seem yet to materialize. In parallel, the proliferation of regional free trade arrangements may increase the relative degree of restriction for those textile-exporting countries excluded from the agreements. In such a case, the quota barrier would be replaced by discriminatory tariff treatment. Moreover, preferential rules of origin could exclude competitive but "non-preferred" input suppliers, while these rules could hinder increasing value added of textiles and clothing produced in the "preferred" countries. As regards LDC fully effective market access, preferential rules of origin have been identified as an obstacle to initiatives for duty- and quota-free market access for LDCs in textiles and clothing.

A complex situation characterizes the *agricultural markets*. Some developing countries are major agricultural exporters, whereas in other countries a large part of the agricultural sector is subsistence-oriented. Other countries, including many LDCs, are net food-importing countries. All these different needs and interests in these developing countries are highly important for poverty alleviation. Furthermore, in *services*, commercially meaningful Mode 4 liberalization still falls short of the expectations that developing countries have as regards the development content of the Doha Work Programme. Existing and new offers on services continue to refer to measures on commercial presence than other modes of supply. Furthermore, developing countries are seeking to prevent a protectionist backlash, which could undermine the continued growth of IT-enabled services trade and outsourcing of services to developing countries. Locking in current liberal regimes affecting this type of trade would ensure that the interests of developing countries are reflected in the negotiations.

Strengthening the participation of developing countries in dynamic and new sectors of international trade is an important means of achieving a win-win outcome from trade for all countries and peoples. There should be coherence between trading, financial and monetary systems to effectively support developing countries' increasing participation in dynamic and new sectors. Transnational corporations should assist developing countries' efforts to build domestic capacity, both technological and human resources, through the upgrading and assimilation of state-of-the-art technologies and know-how. Dismantling anti-competitive practices and structures in international markets can increase gains for producers and consumers in all countries.

It is also important that developing countries formulate, integrate and effectively apply strategic, export-oriented domestic policies, taking into account global, regional, national and local factors. Sound economic and social policies at macro, meso and enterprise levels are a key determinant of success. These policies should have a clear and consistent focus and aim to fully capture trade and investment synergies in order to rapidly promote increased diversification, domestic value addition, productivity and competitiveness. These should provide a conducive environment for domestic investment, development-oriented FDI and enterprise development, and be designed in a manner that enables developing countries, particularly the poorest ones, to make a steady transition from subsistence production to industrialization with increasing domestic value added, and eventually to a knowledge-based digital economy. Policy space and flexibility are indispensable to the ability of developing countries to pursue a strategic mix of trade and development policies suited to the changing needs and circumstances of a rapidly transforming global economy. The effective management of integration with the international and regional economies should be a major policy priority.

Follow-up by UNCTAD and its role in assuring development gains from the multilateral trading system and trade negotiations

1. UNCTAD has provided valuable support to developing countries during its 40 years of existence. It should continue to support developing countries in integrating beneficially into international trade and the international trading system with technical and policy analyses, consensus building, and technical assistance and capacity-building programmes. It can help countries to:
  - Continue to identify and assess development gains from trade and trade negotiations;
  - Assess the adjustment costs of liberalization and the overall impact that liberalization has had in those sectors that have been liberalized;
  - Consolidate benefits from regional and subregional cooperation schemes;
  - Achieve greater diversification by adding value to the core economic activities;
  - Promote understanding of trade issues and the available policy options needed to ensure that globalization works for the poor;
  - Build human, institutional and regulatory capacities in developing countries to allow them to participate more effectively in multilateral trade negotiations, as well as at the regional, and bilateral levels;
  - Assess existing trade and development policy options and formulate new development-friendly trade policies;
  - Analyse commodity-related issues and assist developing countries in formulating strategies and policies to respond to the challenges of commodity markets, including coping with oversupply and poverty reduction;
  - Analyse and promote the exchange of information on commodity markets, experiences with factors, policy issues and responses influencing competitiveness, diversification, adding value, and more effective participation in the supply chain;
  - Analyse and support mechanisms and capacity to respond to price fluctuations, mitigating earnings shortfalls and improving risk management and financial instruments;
  - Analyse services issues, including domestic supply constraints and impact assessments.
2. The following practical initiatives and outcomes arising from the interactive debate and the Rio Trade Week were highlighted for follow-up by UNCTAD:
  1. A network of export/import banks to facilitate trade;
  2. Launching and enlarging sectoral reviews of new and dynamic sectors in international trade to foster increased participation by developing countries;
  3. A network of regional trade agreements to foster mutual cooperation, for example the agreement between Mercosur and India, and to address issues relating to the interface between regionalism and multilateralism;
  4. Setting up a Consultative Task Force on environmental measures and market access as a practical way of raising awareness about such measures and promoting international cooperation in addressing them;
  5. Helping develop links between public and private companies in the oil and gas sector, especially SMEs, drawing upon the experience gained with a similar initiative for African countries;
  6. Setting up a global partnership – the International Task Force on Commodities – to address the wide range of problems affecting this sector, including for assuring the purpose of a more equitable distribution of benefits from commodity production and trade and diversification;
  7. Strengthening analytical and capacity-building activities to assist developing countries on issues related to competition law and policies,

including at the regional level. A project for Latin America received renewed support;

8. Refining concepts regarding development benchmarks to help assess whether trade negotiations are fulfilling their development promise, and providing progress reports on those benchmarks.
9. Two other elements that are highly relevant for UNCTAD's mandate are the United Kingdom's initiative aimed at meeting the Millennium Development Goals (International Finance Facility) and the national MDG-8 progress report presented by the Netherlands during UNCTAD XI.

## **II. KEYNOTE ADDRESSES ON**

### **"ASSURING DEVELOPMENT GAINS FROM THE MULTILATERAL TRADING SYSTEMS AND TRADE NEGOTIATIONS"**

**BY**

**PRESIDENT YOWERI KAGUTA MUSEVENI  
REPUBLIC OF UGANDA**

**AT THE XI UNITED NATIONS CONFERENCE ON TRADE  
AND DEVELOPMENT IN SÃO PAULO, BRAZIL**

**ON 18 JUNE 2004**

The fundamental challenges to Man, over the ages, have been two: the struggle between man and nature; and the struggle between man and man. Man comes from nature. Our very bodies are made from the water, the proteins, the salts and the other elements from nature. We are sustained by food, water, fibres and air from nature. We are protected by herbs from the disease caused by viruses and bacteria that are part of nature. The capriciousness of nature, sometimes, causes drought or floods that affect us. The uneven distribution of the means of sustenance of life causes some of us to live near the North Pole (Eskimos), in the desert (the Arabs), in the Mountains (Nepalese), in the temperate lands (the Europeans) or the Tropics (the African, Brazilians, etc). This means that we face serious and different challenges in relation to our survival and development challenges in relation to our survival and development. The great weakness of the Human Race is that we face those different challenges separately and differently. We never develop concerted efforts to do so even when opportunities offer themselves.

Worse still, the second greatest challenge to Man is the desire by the very man to oppress fellow men. Instead of using every opportunity to develop capacity to deal with Man's problems in a concerted way and for everybody's mutual benefit, those opportunities are turned into advantages for some and adversity for others. Instead of symbiosis, we get parasitism; instead of altruism, we get egocentrism.

Therefore, Man's ages-old challenges are those two; oppression of Man by nature; oppression of Man by Man. Development and civilization can, therefore, be defined as: Man's ability to tame nature and harness it for his benefit as well as his ability to tame his ego-centrism and convert it to a reasonable degree of altruism. The greatest Commandments of the Christian religion also happen to be two. "Love God with all your heart and love your neighbour as you love yourself".

Before I delve into broader issues of trade, I should not forget to thank you for the side meeting you had yesterday on the bio-trade. It was a great loss for me not to attend it as I was busy in Washington following up the issue of AGOA (African Growth and Opportunity Act). We are pressing for its extension. All the same, the meeting on bio-trade was most welcome. I need to inform you that my parents never used any Western medicine on me until the age of eight. I was brought up on those herbs. When I was three months old, I developed pneumonia. My mother took me to a renowned local herbalist, Bicoonje, who administered herbs to me orally (kujumburira) and used other herbs to massage me (kujaburira). My mother herself would occasionally give me certain herbs that I can still identify as laxatives, anti-malarials, anti-diphtheria (kafuura), etc.

As far as the African foods are concerned, I eat nothing else. My breakfast is millet porridge. My lunch is composed of cooked bananas of different types (matooke, gonja, etc.), peas and chicken; and so on. Until the age of eight, I only ate beef, cow ghee sauce (eshabwe) and drank milk in different forms (mashanunu-fresh milk; makamo-“sour” milk; machuunda-skimmed milk) and cooked or roasted blood meal of different types (enjuba, oburingyiri, etc.). Our people have processes that are not known to the world even today. Many cultures, for instance, are not aware that one of the sweetest juices in life is banana juice (omubisi or eshaande). The Great Lakes Region, especially Uganda, has the unique technology for extracting this juice. One of our scientists, Dr. Kyamuhangire has described this process in modern scientific terms and we are in the process of commercializing it. Many cultures in the world do not know why Africans grow so tall and excel in the Olympics. It is partly on account of the foods our people eat. On the side of perfumeries (emigaju or obuwoowo) and cosmetics (ebyokwesiiga), the sky is the limit.

Coming to our issue of trade, we need to see how “assuring development gains from the international trading systems and trade negotiations” can be equitably achieved. The current size, in terms of dollars of world trade, is US\$ 5,473 billion (World Trade Report-1999). African’s share in this is US\$ 112 billion. This imbalance is mainly because of the trade barriers erected by the Western countries against us for all these years in spite of being our “development partners”. Until recently it was not uncommon to find that the cocoa beans could cater for the European Market at 0% tariff rate. Chocolate, processed from the same cocoa beans, however, would face 25% tariff rate. This practice is repeated by our Third World partners. During my recent visit to China, I raised the issue of 0% tariff rate for raw coffee beans but a high 53% tariff rate for processed coffee from Africa with the Chinese President. H.E. Hie Jintao. He promised to resolve this issue.

Nevertheless, this situation could not have persisted without the indifference, or is it ignorance, on the part of the Africans. In my opinion, the only programme that is comparable to market access and value addition is infrastructure development (roads, rail, energy, piped water and telephones). The infrastructure elements quoted above are obviously indispensable before any form of trade (internal, regional or international). All other issues (schools, hospitals, gender questions, debt cancellation, aid, etc.) are important. They must however, base themselves on the great three (market access, value addition and infrastructure) in growth, transformation and, therefore sustainability are to be ensured. What will happen when you cancel a poor man’s debt without giving him means of earning more so that he caters for his needs, which will, of course, not go away? You will cancel old debts; but he will acquire new ones. It is only recently that Africa started articulating the need for market access. Otherwise, previously, the talk was: “budget support”, “debt cancellation”, “aid” etc. Now that the Africans and our brothers in the Third world are waking up to the iniquity of the present system, let us articulate our priorities correctly and clearly. You cannot approach a partner with a host of demands and you expect that he will deal with all of them. It is better you highlight the priorities among priorities. My priorities among priorities for the short and medium term are the great three (market access, value addition and infrastructure development). With these emphasized, we can, in a fairly short time, develop autonomous capacity to deal with the other priorities (education, health, research, etc).

In order to benefit from the international trading systems, Africa and her allies must expunge, once and for all, the practice of exporting raw materials. That practice, in which Black Africa has been engaged in for, at least, 110 years or much more in some cases, has meant that for every kilogramme of cotton, we donate US\$ 10 to the outsiders: and for every kilogramme of coffee we donate US\$ 7 conservatively put. We do not only donate money per kilogramme of cotton or coffee, we also donate jobs. Cotton has got six levels of jobs: growing, ginning, spinning, weaving, printing and tailoring. In the case of Uganda, for the last 101 years, our share into cotton business has been ending at level two: ginning (i.e removing the seeds from the fibre). This is known as lint cotton. Present day prices mean that a kilogramme of lint

cotton will bring US\$ 1.20. If you spin the fibre into yarn the value goes up three times. If you weave the yarn into fabric, the value goes up 10 times. Apart from donating the spinning jobs, the weaving jobs, the finishing jobs and garment making jobs to outsiders. Africans are therefore, the centuries-old donors to the rest World, especially to the Western World. They donated slave labour to emancipate the West from poverty and underdevelopment. During the colonial and post-colonial periods, they have been donating money and jobs to the West.

Hence, in order to promote meaningful international trade, this massive loss of value and jobs to the West by Africa must stop. We must add value to most of our raw materials in Africa. The same goes for the other Third World countries. Apart from terminating to terrible mistake of exporting raw materials which I have described above, I need to point out that, for the largely pre-capitalist economies of Africa, we need to be conscious of the three (3) steps needed on the way to social and economic transformation.

These are:

- Ending the mode of subsistence production and only produce for food security (cash-commercial production);
- Adding value to as many of our raw materials as is commercially sensible (agro-businesses; and
- Eventually develop products of the intellect (electronics, renewable energy, etc, etc). This stage will be achieved after we have developed our human resource through education and health for all.

It is important to note that Japan is much richer than Saudi Arabia in spite of not having natural resources like oil and agriculture. Their wealth comes from the product of intellect of their people who are highly educated and skilled.

As regards to the first two stages, they are within our means as long as there are appropriate stimuli to the economy such as market access I mentioned at the beginning of the discussion.

We need the international market because it is large, fully developed in terms of consumption potential and well organized. The USA has got a population of 300 million persons and Africa has got almost three times that size of population with 800 million people. However, the 300 million USA citizens consume 22 times more than us by spending US\$ 11 trillion while we spend only US\$ 550 billion (1/2 a trillion). This is not because the USA citizens have got better appetites for consumption than us. It only means that the USA citizens have incomes because they have got jobs as a consequence of being part of the economy that is fully monetized (not subsistence) that adds value to a wide range of raw materials and that has got a high degree of generating products of the intellect. The Africans, on the other hand, have not comprehensively achieved any of the three stages of transformation I have outlined above (full monetization of the economy, value addition and products of the intellect).

How, then, do we negotiate? Recently the USA gave special treatment to Sub-Saharan Africa through African Growth Opportunities Act (AGOA); the EU has launched Everything But Arms (EBA). These are good special arrangements that are helping sub-Saharan Africa to catch up. We want this arrangement to continue up to 2015. The Third Party Fabric can continue to 2007. Then we can compete with everybody else. Therefore, I support any trade initiative aiming at removing tariffs and quotas, which takes this special need of sub-Saharan Africa into account. The assault on Black Africa by rapacious colonialism and imperialism was more vicious. Africa, therefore, needs more affirmative action. Our non-Western partners should also open their markets to African value added goods soonest. We need to examine whether it should be on a reciprocal or non reciprocal basis for some agreed time to give Black Africa time to catch up.

The time for ending uneven development in the World has arrived. The even development of the World is also in the interests of the G-8. If the 800 million Africans, the 1 billion Indians, the 1.3 billion Chinese, the hundred of millions in Latin America and 200 million Indonesians consume as much as the American consume, it will be good for the whole world economy. In some countries like Uganda, the consumption levels are too low, for examples, the milk per capita consumption is only 40 litres, yet the WHO recommended levels are 210 litres of milk per annum. On account of this under consumption, Uganda, currently, has got a big overproduction problem of milk with no market. As far as beef is concerned, the consumption is 3.6 kilogrammes per capita, per annum; while the recommended levels are 50 kilogrammes of white meat and 30 kilogrammes of red meat per annum.

If every country in the world consumed as much as the Americans do it would stimulate all their respective economies to produce more on the basis of comparative advantages. It will be a win-win situation instead of the present win-lose situation.

I thank you for listening to me.

18.06.2004/Brazil

**"ASSURING DEVELOPMENT GAINS FROM THE MULTILATERAL TRADING  
SYSTEMS AND TRADE NEGOTIATIONS"**

**BY**

**PRESIDENT ELECT DR. LEONEL FERNANDEZ  
DOMINICAN REPUBLIC**

**AT THE XI UNITED NATIONS CONFERENCE ON TRADE  
AND DEVELOPMENT IN SÃO PAULO, BRAZIL**

**ON 16 JUNE, 2004**

Intervención del presidente electo de la República Dominicana, Dr. Leonel Fernández en la sesión interactiva y temática con el tema “La obtención de beneficios en materia de desarrollo a partir del sistema comercial internacional y las negociaciones comercial”, en el marco de la Décimo Primera Conferencia de las Naciones Unidas sobre Comercio y Desarrollo (UNCTAD), celebrada en Sao Paulo, el miércoles 16 de junio de 2004.

Señor secretario general de la UNCTAD, Rubens Ricupero; señor Presidente de Uganda, Yoweri K. Museveni; distinguidos integrantes de la mesa de honor; señores representantes ante las Naciones Unidas:

Nos hemos reunido en el día de hoy para reflexionar, para meditar, acerca de lo que es el desarrollo; de la relación entre comercio y desarrollo y cómo enfrentar los graves problemas sociales de nuestros países, muy especialmente lo relativo a la pobreza.

Creo que es sumamente importante reconocer que, en los últimos cincuenta (50) años, se ha avanzado mucho en el pensamiento social para entender lo que es el desarrollo; y en estos momentos, lo más importante también es darse cuenta de que estamos en una etapa de redefinición y de reconceptualización acerca de lo que verdaderamente significa desarrollo y la relación que éste tiene con el comercio internacional.

Dentro de esta nueva redefinición y reconceptualización de lo que es el desarrollo, podemos advertir un primer elemento que no estaba tan claro unos años atrás y es que, como consecuencia del fenómeno de la interdependencia y globalización, encontramos una mayor vinculación entre los países desarrollados y los países no desarrollados. Hoy día, nos damos cuenta de que el crecimiento económico mundial, la consolidación económica de los países desarrollados depende mucho de los países en desarrollo o con economías emergentes.

Si revisamos las estadísticas del crecimiento económico mundial de los últimos 40 años, podemos apreciar que en esas cuatro décadas ha habido un decrecimiento de la economía mundial y se ha procurado una solución a esa situación de decrecimiento del producto bruto mundial, a través de una expansión del comercio mediante el acceso a los mercados de los países ubicados en el sur.

De manera, pues, que la solución a los problemas de crecimiento de las economías desarrolladas se ha procurado a través de una apertura y una liberación de los mercados en los países subdesarrollados; es decir, los países pobres van a servir de mercados receptivos a los países desarrollados para las exportaciones de sus bienes y sus servicios. Y aquí, pues, encontraremos una primera lección al mundo moderno; y es que la pobreza ya no es negocio, la pobreza no es rentable para nadie y, los países desarrollados, por necesidades propias, requieren de poblaciones capaces de demandar y consumir los bienes y servicios que se elaboran en los países desarrollados; y el hecho de que, no por razones filantrópicas, no por razones altruistas, sino por razones de necesidad del crecimiento económico, hoy la pobreza

tiene que ser eliminada, nos coloca en un nuevo contexto y en una nueva dimensión para comprender los retos y las oportunidades del desarrollo y del comercio.

Naturalmente, dicho esto de que la pobreza ya no es rentable, de que la pobreza no es negocio y que se requiere eliminar la pobreza como mecanismo de expansión de la economía mundial, también debo indicar que la relación entre comercio internacional, desarrollo y erradicación de la pobreza no ocurre de manera automática.

No basta tener la visión, no basta tener la voluntad; también los países en vía de desarrollo necesitan elaborar estrategias nacionales orientadas hacia la erradicación de la pobreza, dentro de un contexto de desarrollo integral; y pienso que los países en proceso de desarrollo al momento de diseñar estrategias nacionales, tienen que tomar en cuenta diversas dimensiones: el aspecto global, el aspecto regional, el aspecto nacional y el aspecto local; y es solamente a partir de una identificación de esos diferentes aspectos como efectivamente se puede diseñar una estrategia nacional de desarrollo que esté en vinculación con este nuevo contexto internacional de interdependencia y de globalización que demanda nuevos mercados para garantizar el crecimiento permanente de la economía mundial. Naturalmente, dentro del diseño de esa estrategia nacional, en esas múltiples dimensiones a que he hecho referencia, es importante que los líderes comprometidos con el desarrollo de sus países, a su vez, tomen en cuenta en el ámbito de lo nacional otros factores: los que tienen que ver, en primer lugar, con el fortalecimiento institucional de la democracia, la creación del Estado de derecho, el respeto a las libertades individuales, el respeto a las garantías constitucionales, la existencia de una institución judicial que sea confiable y que sea rápida.

Además de ese aspecto institucional, se requiere de un modelo económico que garantice crecimiento y que garantice sostenibilidad; no perder de vista la dimensión social en el sentido de que una política orientada a la eliminación de la pobreza, establecimiento de la equidad social, generación de empleos, de oportunidades y priorizando la educación como mecanismo de creación de capital humano y capital intelectual. En esa estrategia nacional de desarrollo, también ocupa un lugar importante lo que podríamos llamar la dimensión medioambiental, que es lo que da sostenibilidad en el tiempo a una política nacional de desarrollo.

Permítanme ahora concentrarme de manera específica en la parte económica, muy especialmente en lo que tiene que ver con el comercio internacional y las potencialidades de desarrollo de los países de economías emergentes. En el aspecto económico, creo que es muy importante tener una perspectiva de la historia. La mayoría de los países con economías emergentes, originalmente fueron países primarios exportadores. Otros países, como el mío, la República Dominicana, evolucionaron de un país agrario exportador hacia un país más orientado hacia la economía de servicio; pero en el contexto de una economía de servicios, debemos hablar de un modelo de trabajo intensivo.

Fuimos capaces de atraer inversiones directas hacia nuestro país, la República Dominicana, creando el sistema de maquilas o las zonas francas industriales, que permitían crear empleos, crear oportunidades para empleos, pero pagando salarios muy por debajo de los países que servían de matrices a las empresas que salían al exterior en el esquema de las maquilas o de las zonas francas industriales.

Naturalmente, el hecho de poder crear empleos ya era un paso de avance, un paso de evolución con respecto a la situación previa de alto nivel de desempleo. Estas maquilas, este sistema de zonas francas, pudieron sobrevivir porque existía un régimen comercial de carácter preferencial.

En el ámbito específico de la Región del Caribe, los Estados Unidos en los años 80 promovió, durante el gobierno del presidente Reagan, la Iniciativa para la Cuenca del Caribe y, en base a esta iniciativa, los países de la Región del Caribe y de Centroamérica, podían exportar hacia

el mercado de los Estados Unidos en condiciones arancelarias preferenciales. Dado que las empresas tenían incentivos fiscales y unos costos laborales menores y que ahora los productos manufacturados en estos países podían entrar al mercado de los Estados Unidos en esas condiciones comerciales preferenciales, no cabe duda que esto permitió el desarrollo de los esquemas de las zonas de libre comercio o de las maquilas en el Caribe y, muy especialmente, en mi país, la República Dominicana.

Lo que ha ocurrido ahora es que cuando hablamos de libre comercio para un país como el nuestro o para la región del Caribe, lo que estamos diciendo es que el esquema que ha existido hasta ahora, que es un esquema preferencial de libre comercio, es decir, de acceso al Estado Norteamericano en forma libre, pero de carácter unilateral, ahora pasa a ser libre comercio, pero de carácter recíproco, lo que indica que es nuestro mercado es el que se abre a la importación de bienes y servicios de un país económicamente superior como, en este caso, los Estados Unidos.

Pasamos de un libre comercio unilateral a un libre comercio recíproco, y es esa reciprocidad lo que va a representar desafíos y retos; pero, al mismo tiempo, oportunidades si la sabemos identificar, si la sabemos explotar. Como no depende de nosotros, como ya no depende de la voluntad de las autoridades de República Dominicana o del Caribe, determinar la naturaleza del tipo de comercio que se va llevar a cabo, si es comercio unilateral o si es recíproco. Tenemos entonces que prepararnos para los grandes retos y desafíos que tenemos por delante y, en ese sentido, el reto fundamental consiste en pasar del modelo de trabajo intensivo, a un modelo de capital intensivo o un modelo dirigido por la aplicación de modernas tecnologías o un modelo de economía orientada hacia el conocimiento.

Alguien podría preguntarse, ¿cómo un país que ha sido exitoso dentro del marco de la industrialización, un país, para decirlo en los términos que lo ha expresado el presidente de Uganda, que todavía se encuentran en la etapa pre-industrial, pretende ser exitoso en un esquema de economía basado en el conocimiento, en una economía digital? Y yo digo, tenemos una doble agenda simultánea, tenemos que enfrentar todavía las tareas inconclusas de la Revolución Industrial, pero pasando, al mismo tiempo, a la era digital, lo que lo hará posible el hecho de poder acceder a las modernas tecnologías, muy especialmente a las tecnologías de la comunicación y de la información; en la medida en que podamos ahora integrar nuestras economías a esta Revolución Científico-Tecnológica, empezando por instalar laboratorios de computadoras conectadas al Internet en todo el sistema escolar; que podamos establecer comunidades tecnológicas en las diversas provincias y en las diversas comunidades del país y desarrollar una estrategia sobre la base de la cadena de producción que nos permita acceder a la manufactura de, por lo menos, un componente de los modernos productos tecnológicos y acceder entonces a los mercados; pues, sin duda alguna, estaríamos en capacidad o en condición de poder acelerar nuestro proceso de desarrollo y nuestro proceso de crecimiento económico.

De tal manera, pues, que, aún reconociendo la existencia de disparidades, reconociendo la existencia de asimetrías, reconociendo el hecho de que los países desarrollados y los subdesarrollados no parten de un mismo nivel para poder competir comercialmente, no cabe la menor duda de que los países subdesarrollados, sin embargo, hoy día, disponen de la potencialidad de, a través del uso de las tecnologías modernas, poder enfrentar con eficacia todo el problema de la pobreza, la inequidad social y todo el problema de la falta de infraestructura y de condiciones materiales para garantizar mejores condiciones de vida a sus pobladores.

Por supuesto, todo cuanto he dicho permite dejar de reconocer que este nuevo paradigma internacional que se nos ofrece hacia el desarrollo no ocurre de manera lineal, no ocurre de manera homogénea, no se presenta sin obstáculos ni dificultades.

Aún aquellos países que toman la iniciativa de promover libre comercio, están bajo conflictos internos que se reflejan en el diseño y aplicación de sus políticas públicas. Cuando vemos, por ejemplo, el gobierno de los Estados Unidos promoviendo el libre comercio, a veces nos preguntamos la falta de coherencia que hay entre la promoción de esta política y levantar, por ejemplo, un arancel protector a la importación del acero; o cuando se promulga la ley de protección de los productores agrícolas en los Estados Unidos para continuar con el subsidio a la producción y el subsidio a la exportación de bienes agrícolas.

Y uno se pregunta, ¿cómo es posible que haya esta discrepancia entre una filosofía política orientada hacia el libre comercio y, sin embargo, se adoptan políticas internas que van en una dirección contraria?; pero incluso, en el debate electoral actual, las posturas de los candidatos también reflejaron el hecho de que esta promoción de una política de libre comercio no se produce al margen de los conflictos internos, no se produce al margen de las discrepancias, incluso en el interés federal de los propios Estados Unidos y algunos intereses locales de grupos empresariales y representantes ante el Congreso Norteamericano; y lo mismo que ocurre en Estados Unidos, ocurre en Europa donde se producen los mismos conflictos de intereses, donde a veces el gobierno central postula una política, postula una idea y, sin embargo, a nivel de los congresos y a nivel de los parlamentos y a nivel de los intereses de las respectivas comunidades, se está en desacuerdo con esta política que se promueve a nivel nacional.

Por tanto, lo que quiero indicar es que, si bien es cierto que en sentido general y como parte de la visión estratégica los países desarrollados hoy día procuran una mayor vinculación con los países no desarrollados para abrir mercado y que, por tanto, es una necesidad de que se aumente la capacidad adquisitiva de las poblaciones de los países de economía de desarrollo, no es menos cierto que esta voluntad, esta visión se produce en un proceso de conflictividad, no se produce en forma lineal, no se produce de manera homogénea, sino en forma desestructurada, en forma heterogénea; pero también, en nuestros países, en los propios países de economías subdesarrolladas, hay diferentes actitudes y diferentes conductas frente a lo que es libre comercio, frente a lo que es el comercio internacional como parte de una economía que debe desarrollarse.

Por una parte, están las viejas reminiscencias proteccionistas; hay grupos empresariales en nuestros países que todavía creen que el Estado debe de intervenir con políticas sustitutivas de importaciones; todavía se cree que debemos responder con subsubsídios a los productores agrícolas nacionales, como forma de contrarrestar la política de subsidio agrícola de los países desarrollados. De manera pues, que toda esta definición y reconceptualización de la nueva política de desarrollo, se da en un contexto de conflicto y de disputa al interior de la sociedad desarrollada y de las subdesarrolladas, lo que finalmente se va a reflejar en las estrategias de negociación que se llevan a cabo a fin de aplicar las políticas de liberalización y apertura comerciales, que tienen a su vez diferentes dimensiones.

En la dimensión global, a través de la Organización Mundial del Comercio; en una dimensión regional, en el caso de nuestro hemisferio occidental, a través del ALCA; pero también hay diversas iniciativas sub-regionales, como sería el caso, por ejemplo, de un libre comercio con los países de Centroamérica, libre comercio con los países andinos, libre comercio con los países del Caribe y, finalmente, en una dimensión bilateral, como es el caso reciente de la firma de Chile con los Estados Unidos.

Ahora bien, la gran pregunta que nosotros nos hacemos desde un país como la República Dominicana es ¿por qué este tema de negociaciones para libre comercio tiene que llevarse a cabo simultáneamente en una dimensión global, regional, sub-regional y de carácter bilateral? Y, naturalmente, lo que salen a relucir son los distintos intereses en conflicto que entran parte de los esquemas de negociación de libre comercio. Si estamos llevando a cabo el ALCA en el hemisferio occidental, ¿por qué razón se firma el CAFTA?, ¿por qué razón un acuerdo

bilateral con Chile? Obviamente, que la razón fundamental es que por la existencia de MERCOSUR para Brasil y para Argentina, representa una cuota de mercado, que aspira a ser preservada por los países de América del Sur.

El hecho de que el ALCA entre en funcionamiento y de que Estados Unidos pueda intervenir directamente en todo el continente hemisférico, plantea la necesidad de negociaciones con Brasil y Argentina. Como eso se tarda, como eso se detienen en el tiempo, entonces se buscan fórmulas alternativas para poder llevar a cabo este proceso integral de desarrollo comercial.

En síntesis, Mr. Chairman y señores representantes de las distintas naciones ante las Naciones Unidas, no cabe duda de que el comercio internacional, en su forma liberalizada y de apertura, constituye una gran oportunidad para el desarrollo de todos los pueblos, para los países desarrollados y para los no países no desarrollados; pero, para realmente tomar ventajas de las oportunidades que este libre comercio plantea, es imprescindible que cada país tenga una estrategia nacional de desarrollo que vaya en función de una estrategia de competitividad; solamente en la medida en que podamos identificar cuáles áreas de nuestras economías son competitivas; cómo crear una cultura hacia la exportación, cómo incrementar la productividad y cómo integrar las modernas tecnologías. Solamente en esas condiciones y, en el marco local, en un contexto macroeconómico estable, de acceso a capitales, de acceso al crédito, solamente, insisto, en esas condiciones pueden los países de economías emergentes obtener ventajas en este esquema moderno de libre comercio y de acceso a los mercados.

Muchas gracias.



### **III. COUNTRY STATEMENTS**

#### **UNITED REPUBLIC OF TANZANIA**

STATEMENT BY HON. DR. JUMA NGASONGWA, MP, MINISTER FOR INDUSTRY AND TRADE OF THE UNITED REPUBLIC OF TANZANIA TO UNCTAD XI, SÃO PAULO, BRAZIL, 16 JUNE 2004

On

ASSURING DEVELOPMENT GAINS FROM THE INTERNATIONAL TRADING SYSTEM AND TRADE NEGOTIATIONS: POLICY OPTIONS AND STRATEGIES TO SUPPORT DEVELOPING COUNTRIES' COMPETITIVENESS IN THE MOST DYNAMIC SECTORS

Mr. Chairman,

Distinguished Delegates,

Ladies and Gentlemen,

An opportunity to contribute to the ongoing debate on policy options and strategies to make the exports of developing countries regionally and globally competitive is always a welcome opportunity. We need to be clear as to where to place our priorities in drawing up policy options and strategies to enhance our competitiveness in global markets. Our priorities have at all times to relate with the need to eradicate poverty.

As an LDC, 19 per cent of Tanzanians are unable to meet their nutritional requirements and 36 percent are unable to meet basic needs requirements i.e. food, clothing as well as shelter. These are the people whom we are targeting when we talk about making global trade and therefore market access opportunities in the MTS work for the poor.

Studies on how to effectively include the poor in international trade show that this can be done if we target and dynamize the sectors on which the poor depend. Inclusion of the poor demands that we enhance and build upon all the elements that will enhance their participation and thus assure them of development gains from international trade.

For Tanzania, agriculture is the sector that comes to mind if we talk about dynamism from the perspective of primary goals as well as opportunities. Poverty, whose eradication is the primary objective, in most developing countries is largely a rural phenomenon although urban poverty is there and is probably worse in some respects. People have to eat and therefore world demand for agricultural produce is growing and there are niche markets where the exports of developing countries can prevail. South-south trade has high potential. But agriculture is also dynamic because of the following:

- Evidence shows that rural growth is four times more efficient in reducing poverty as income multipliers tend to be higher for export agriculture;
- Demand for food exports shows a growing trend in the world market;

- The developing countries have extensive comparative advantages in agricultural exports;
- The potential for agricultural exports is much higher if the issues of trade distorting subsidies and domestic support measures I addressed conclusively at the level of multilateral trade negotiations; and
- High potential exists for the inclusion of the poorest of the poor in agricultural export trade if countries are willing to improve the assets of the poor. This requires national efforts as well as international support.

From the Tanzanian perspective we are undertaking measures in four areas to ensure that the poor do indeed participate in export agriculture.

These are:

- Addressing prevailing internal barriers to trade which include:
  - Improving the access of the poor to modern productive assets
  - Creating and sustaining effective links to markets through better infrastructure
  - Stimulating and enhancing competition in market for agricultural products
  - Addressing residual legal and regulatory impediments that hinder growth.
- Aligning complementary sector policies in the productive and social sectors to reflect the prioritization of measures to develop the dynamic sectors and address the concerns of the poor through such policies. These include the right policies in agriculture; tourism and mining in so far as productive sectors are concerned and expanding the outreach of education and health as well as modernizing the transport and communication infrastructure.

Although I have focused my remarks on agriculture, Tanzania appreciates the potential of other sectors and in particular the industrial sector which is considered as the dynamic sector of the economy. Agriculture cannot stand and thrive on its own without simultaneous developments in agro-processing to increase value. The potential for moving up the value chain to diversify agricultural exports, reduce the relatively higher post-harvest losses in agriculture and to create jobs is essentially part of the dynamism of the agricultural sector.

Finally, Tanzania does have an emerging and robust tourism industry, mining sector as well as a richly endowed natural resources sector. Tourism can have a major impact on the creation of jobs, generation of wealth and reduction of poverty. Mining, especially when processing is taken into account, can generate substantial to government that are critical to the financing of social, economic and physical infrastructure that is necessary for improving the disposable incomes of the population.

More critically, foreign mining companies can make a difference if they take deliberate steps to engage local communities through provision of social services such as building schools and hospitals and rural access roads. Equally important is contribution to the development of rural communities to supply some of the requirements of the mining communities such as fresh food supplies. Good corporate social responsibility does make a difference.

In conclusion, Tanzania believes that international trade can be brought to work for the poor. Measures to effect this outcome have to be undertaken both at the negotiations and implementation levels. If the developed countries will remove trade distorting subsidies and

support measures on agricultural products of interest to developing countries and if tariff peaks and tariff escalation would be addressed in respect of non agricultural market access the final impact will be highly positive for the welfare of the poor.

However, the development perspective in the MTS remains the most important factor. Addressing supply side constraints should also be seen as a means of improving the assets of the poor to as a means of including them in the mainstream of international trade. Whether this takes the form of modernization of transport infrastructure or the transfer of better technologies for production the ultimate impact is the improvement of the participation of developing countries-in international trade and enhanced welfare for the poor in those countries. It is the essence of the Millennium Development Goals. For Tanzania the message is clear and all we need is the goodwill to transform these good intentions into action.

Thank you.

São Paulo, 16 June 2004

## SRI LANKA

STATEMENT TO BE MADE BY HON. JEYARAJ FERNANDOPULLE , MINISTER OF  
TRADE, COMMERCE AND CONSUMER AFFAIRS  
At 10.00 am on 16th June Trade Day

Intervention 16 June: Sub- Theme III; Thematic Session 1  
Assuring Development Gains from the International Trading System and Trade Negotiations

Mr. Chairman,

I am pleased to participate in this important discussion on assuring development gain from the multilateral trading system, in particular, from the Doha Development Agenda to which we have all made a firm commitment.

Mr. Chairman,

Before I come to the topic, let me very briefly touch upon my government's trade and development policies and what we expect from the ongoing trade negotiations to address our concerns. In Sri Lanka, a new government was formed just two months ago and we are fully committed to the ongoing peace process in the country and finding a solution to the long-standing ethnic issue. On the trade front, we are committed to a market economy but with a human face; this face we believe is necessary to assure that gains from trade touched the poorer segment of our society.

Mr. Chairman,

We identify ourselves as a small, vulnerable, trade dependent economy with 70 per cent of GDP accounted for external trade and we are also a net-food importing developing country. Agriculture is key a sector in our domestic economy. We have consistently followed liberal trade policies since 1977. In the context of multilateral trade negotiations, let me share with you, our thoughts on the challenges that we face, which I believe are shared by developing countries, which consider themselves as small vulnerable economies. First, agriculture remains the key issue to be addressed to ensure that development goals of the Doha Round are accomplished. Second, trade liberalization in non-agricultural goods and trade in services in particular temporary movement of natural persons (mode four) remain to be key areas to be addressed.

Mr. Chairman,

Like in many developing countries, 70% of the population in Sri Lanka live in the rural sector, depending on the agricultural sector for their livelihood. Moreover, half a million people's livelihood depends on the readymade garment sector, which accounts for nearly 57% of Sri Lanka's total exports. We are particularly concerned on these livelihoods in the context of:

- (a) Agriculture sector reforms in the WTO and
- (b) phasing out of quotas under Multi Fibre Agreement by 1st January 2005.

I hope these concerns will be effectively addressed during the current trade round of negotiations.

Mr. Chairman,

It is equally important to highlight the fact that, though we have confidence on the multilateral trading system, there seems to be no level playing field today, due to the proliferation of discriminatory preferential arrangements. Countries like Sri Lanka are now at

a disadvantageous position by such developments. We believe that the global community has to address this issue collectively to ensure level playing field in the multilateral trading system.

Mr. Chairman,

This leads to my next point. With the conclusion of the Doha Development Agenda, there are bound to be winners as well as losers. International and national efforts to ensure development gains from trade need to be based on a realistic assessment of the policy experience of developing, Particular inadequate development of regulatory framework. It is increasingly recognized that a "one-size-fits-all" approach of integrating countries to multilateral trading system with varying degrees of structural, institutional, regulatory and other constraints may yield asymmetric benefits and costs. Therefore the challenge is to ensure that development gains are equally distributed while minimizing the negative effects that are bound to arise for certain developing countries.

Mr. Chairman,

No doubt that all countries have a shared interest in the success of the core agenda of the Doha work programme. In this respect, I wish to highlight an area in trade in services that has contemporary relevance to developing countries such as Sri Lanka. We attach great importance in providing meaningful and effective market liberalization with respect to the movement of natural persons. A number of recent studies have shown welfare gains that could be reaped by both developed and developing countries by liberalizing the movement of natural persons. In the case of Sri Lanka, remittances from immigrant workers have today emerged as the second largest foreign exchange earner, thereby contributing to development of the Sri Lanka's economy. We firmly believe that mode four liberalization covering all categories of human skills will contribute immensely to the development process of remittances dependent economies like Sri Lanka Moreover, in general, mode four liberalization, we believe, can contribute to our endeavours in achieving Millennium Development Goals, and thereby uplift the living standards of a larger section of the population in the developing world.

Mr. Chairman,

In the past, UNCTAD has taken a number of initiatives that have contributed to the development process of developing countries. One of those, which we need to highlight, is the Generalized System of Preferences (GSP), providing enhanced market access to developing countries. The empirical data indicates substantial scope for enhancing their use while preserving the original non-discrimination and non-reciprocity objectives of the GSP. The low utilisation of schemes is mainly due to the conditions attached to preferences, in particular rules of origin and market entry barriers. To increase the use of trade preferences I further efforts are needed to develop realistic rules of origin matching the industrial capacity of developing countries, and extend the country and product coverage.

Mr. Chairman, in conclusion, I would once again like to reiterate the Doha Declaration, which emphasises that developing countries' needs and interests should be placed at the heart of the WTO Work Programme. This laudable declaration should be translated in a meaningful action in the ongoing Doha development negotiations to ensure the desired gains to all developing countries.

I thank you, Mr. Chairman.

# NETHERLANDS

## STATEMENT BY MRS. AGNES VAN ARDENNE-VAN DER HOEVE, MINISTER FOR DEVELOPMENT CO-OPERATION OF THE NETHERLANDS

### UNCTAD XI, ASSURING DEVELOPMENT GAINS FROM TRADE

#### **Introduction**

It is an honour for me to speak at this session. Its theme – "Assuring Development Gains from Trade – is highly appropriate at this stage in the Doha round. The four sub-themes of UNCTAD XI are each closely linked to its overarching theme, coherence between national development strategies and global economic processes. They are close to my heart and at the heart of Dutch development policy.

#### **MDGs take centre stage**

I take the liberty of broadening our discussion today beyond trade. The highest priority for the international community is to take stock of the progress made in implementing effective national and international policies to achieve the MDGs. Where do we stand in living up to the commitments made at Monterrey, Doha and Johannesburg? In September 2005, the UN plans to assess progress made towards achieving the MDGs, 5 years after the Millennium Declaration. The failure of many of the least developed and poorer developing countries to make progress as illustrated by President Lula on Monday gives cause for serious concern, if not dismay. Lives are at stake, as is our political credibility.

Looking at the coherence of various policies, MDG 8 is particularly relevant. Its core objective is to develop a global partnership for development. I strongly believe that a combination of coherent policies in both developed countries (on aid, trade, finance, agriculture, intellectual property, etc.) and developing countries will have the greatest impact on the MDGs. Halving poverty by 2015 is the responsibility of developing country governments. But MDG 8 also sets out concrete targets for developed countries. I regard developed countries' efforts in aid, trade, financial flows and debt relief as inputs that will help developing countries to achieve MDGs 1 to 7. And if they are to meet the MDGs by 2015 or earlier, our contributions under MDG 8 cannot wait until 2015; they have to be provided up front. My government is fully committed to playing its part in achieving the MDGs.

#### **Balance in MDG monitoring and reporting**

MDG monitoring takes place at national and global level by UNDP and World Bank. Developing countries face an array of donor and lending conditions and reporting obligations on their policies. But what about the obligations of developed countries on their part of the MDGs' political bargain? Are we transparent and individually accountable? Are we willing to have our efforts reviewed, and not only by our peers in the OECD? Clearly, we have to create more balance in monitoring and reporting on policy efforts if we are to ensure mutual commitment and remain politically credible.

#### **National MDG 8 progress report**

The Dutch government has therefore decided to report to the international community on our performance. Yesterday I offered President Lula a copy of our first national MDG 8 report. It gives me great pleasure to present it here today. Some other developed countries will be following suit. The EU and its Member States will submit a report on their consolidated

contributions to the MDGs next year, as input for the 2005 review. Let me highlight four important elements of our report: aid, trade, debt relief and policy coherence.

## **Aid**

Dutch ODA in 2003 was 0.81% of Gross National Income. We would love to see the small club of countries meeting the UN target of 0.7% GNI becoming less exclusive. In Monterrey, many donors committed themselves to increasing their ODA and set concrete interim targets. Though the progress made to date is welcome, it is obvious that more needs to be done.

Development co-operation is not just a matter of more money, but also of effective policies. The Dutch government has recently realigned its development policy to boost its quality and effectiveness. The title of our new policy is Mutual Interests, Mutual Obligations, reflecting the two way deal in the MDGs. Key themes are selectivity, focus and partnership. I have reduced the number of partner countries and sectors in order to enhance both our relevance as a bilateral donor and the quality of our aid. The focus is on 5 MDG-related priorities: education, reproductive health, AIDS prevention, environment and water. Human rights and good governance, including economic governance, cut across all country programmes. We align our efforts with recipient countries' policies and procedures and seek real donor coordination and complementarity on the ground. Since development cooperation is not only a government-to-government affair, we are actively involving enterprises, civil society organizations and Knowledge institutes in partnerships.

## **Trade liberalization and trade capacity**

Maximizing trade gains for developing countries at different levels of development is probably the most crucial target of MDG 8 with the highest return. As an EU member state we fully endorse the EU position that the needs and interests of developing countries should be at the heart of the Doha round. We need trade liberalization and fair rules of play that take account of the special and differential needs arising from different levels of development. There is still a large, unfinished agenda for market access. Both trade barriers and subsidies harm the trading interests of developing countries, particularly in the case of agriculture and labour-intensive manufactures, which are crucial sectors for industrial development and poverty reduction.

Many developing countries are understandably concerned about their competitiveness in the global economy. They are worried about preference erosion in preferential export markets as a consequence of lower MFN-tariffs. Governments fear revenue loss from lower national tariffs and the impact on vulnerable producers in sensitive sectors. These concerns largely explain their focus on special and differential treatment rules. It should also caution us against dogmatic approaches and one-size-fits-all solutions.

Preference erosion is however unavoidable. I make a special plea for measures in the Round and regional trading arrangements to improve market access for the least developed countries and other small, vulnerable economies. The EU Everything But Arms initiative should be copied by all developed countries. Similar concessions should be provided by developing countries in a position to do so. All this should be bound up in The WTO. Use of existing preferential access could be much improved if all preference giving countries were to relax their rules of origin, to begin with for textiles and clothing. Quota free trade after 1 January 2005 will hit the least developed countries hard.

What has to be done to make trade work better for the poor? Developing countries are recognising the need to mainstream trade in poverty reduction strategies. For pro-poor trade policies, trade integration needs to be sequenced carefully. Infrastructure and institutions are needed to connect the poor to markets and provide them with social safety nets. And a broad,

national "behind-the-border" policy agenda needs to be opened up, covering sector policies and complementary policies that address macro-economic stability, labour markets, investment and competition. This is the primary responsibility of individual governments, but donors can help them build supply-side capacity and create the right enabling environment for the private sector. At the same time, international institutions and bilateral donors can do their part to enhance the effectiveness of their trade-related technical assistance and aid. Until recently, these activities were too fragmented and dealt with individual obstacles as isolated problems UNCTAD has an important role to play in joint programmes like the Integrated Framework, JITAP and new initiatives such as the Consultative Task Force on standards.

### **Sustainable debts**

Another crucial MDG target is to make developing countries' debts sustainable. We will continue our debt relief efforts as a bilateral donor. In the international institutions we plead for a systemic approach. An increasing percentage of our ODA goes to debt forgiveness and HIPC countries. However, we are concerned about the risk of entering a vicious circle in which unsustainable debts require debt relief, lead to new loans and yet more unsustainable debt. We therefore support efforts to solve this dilemma through better debt analysis and management, including the valuable UNCTAD activities in this area.

### **Policy coherence for development**

Rich countries' policies, in particular on trade, agriculture, environment and finance, have a significant impact on developing countries. It is in our own interests to take better account of this: to enhance economic efficiency at home, to make aid more effective and because of increasing global interdependence. We need to focus on agricultural reform and its impact on developing countries, in particular for products such as cotton, sugar, dairy products and rice. Though agriculture is not the only issue, it is obvious that divisions need to be overcome, and a framework for further negotiations agreed on, if the Doha round is to progress. At the same time, donors should interact more closely with other policy communities and stakeholders in both their own and recipient countries and integrate these policies more closely into their aid programmes. In the Netherlands we promote such policy coherence for development through a government-wide strategy.

### **Conclusions and challenges ahead**

The bottom line of our report is that the Netherlands, as a bilateral donor and EU member state, has made progress towards achieving MDG 8. But we have no reason to be complacent. Much still needs to be done. We intend to publish regular reports to monitor our efforts ourselves and to allow others to review us. Our ultimate goal is regular and standardised reporting by all developed countries on their policy efforts under MDG 8. What I do not want is mere propaganda reports by governments. International debate and peer review – not just among donors – are therefore important additions. Our next report will be participatory, something donors also require from developing countries when they develop Poverty Reduction Strategies. I will invite the private sector and civil society in the Netherlands and some partner countries to take part in this process. I hope that this enhances the critical value of the report for our own policy making and gives it wider support, as befits a true global partnership.

Mr. Chairman, in conclusion, achieving the MDGs by 2015 is a formidable task, especially for Africa and the least developed countries. We must reconfirm our mutual commitments and step up our efforts towards a true global partnership for development and the attainment of all MDGs.

# BANGLADESH

INTERVENTION BY  
H.E. AIR VICE MARSHAL (RETD.) ALTAF HOSSAIN CHOUDHURY, MP  
MINISTER OF COMMERCE, GOVERNMENT OF BANGLADESH  
LEADER OF BANGLADESH DELEGATION TO UNCTAD XI

INTERACTIVE THEMATIC SESSION: SUB-THEME III:  
ASSURING DEVELOPMENT GAINS FROM THE INTERNATIONAL TRADING  
SYSTEM AND TRADE NEGOTIATIONS

Sao Paulo, 16 June 2004

Distinguished delegates  
Ladies and Gentlemen

I congratulate UNCTAD for a useful background document prepared for this session.

2. The question of how to ensure development gains from international trade is a puzzling one. According to classical theory, international trade is not a zero sum game. All parties are supposed to gain if markets are truly free and forces of competition are let loose. In reality, assumptions made for those models are too simplistic. For those economically strong, free trade is politically viable only if it is backed by effective job creation measures and strong domestic social safety net; the weak, free trade is a prescription we have to accept even without the safety nets.

3. Trade is supposed to accelerate economic growth, create jobs and raise incomes. In fact, the most striking change in the past fifty years is that world trade has grown faster than world GDP. But the disaggregate picture tells a different story. For instance, there has been a steady and secular decline in the share of LDCs in world trade. We gain less from trade than do developed countries or the more advanced developing countries. We sell inexpensive goods and import expensive items. Whatever little we export, we earn less partly because of specialization in exports with low value added, and for falling commodity relative prices. Not only that our countries pay more while exporting in developed country markets than other developed countries. Bangladesh has been ranked 14th among the top 20 countries paying highest tariff while exporting to the US market. On average USA imposed 14 percent duty on all Bangladeshi products in the year 2003. This is quite high in relation to their average manufacturing tariff.

4. The world of trade is full of distortions. The vested interests are too predominant. That is why those who have the strength and capability subsidize for a fortunate few, exclude products from GSP or MFN treatment, protect markets not only through tariff but with a host of non-tariff barriers, or erect new protectionist devices. UNCTAD finds that around 4,000 goods internationally traded (around 13 per cent of global trade) is affected due to environmental/health requirements. How real is the environmental concern is a subject of debate, but certainly these affect products exported by developing countries.

5. The Uruguay Round Agreements have changed, fundamentally, the multilateral trading regime and the manner in which trade can affect the development process. Development concerns, reflected through S&D provisions, were made to build our industrial and technological base. We have failed at operationalize them. The Doha Work Programme

placed the interests of developing countries at its heart. Yet a reality check after nearly three years will indicate that there is hardly anything "developmental".

6. It is interesting that the country that has made great leaps in trade in the past decade was outside the ambit of Multilateral Trading System (MTS). However, this does not mean that we cannot reap benefits from MTS. We believe that a rule-based and predictable multilateral trading system, such as WTO, is best for the world at large. There are flexibilities and S&D within the system. The question is whether we are allowed to utilize those flexibilities. If we can fully implement the kind of latitude given to us, the multilateral trading system can be development friendly and responsive to our needs. Moreover, the MTS, instead of concentrating on "at-the-border" issues, has moved deeply into "behind-the border" issues. The less it interferes with domestic policy issues, the greater will be the policy space and health for the multilateral trading system.

7. Let me outline a few areas where multilateral trading system can make a difference to countries like ours:

- In the earlier rounds, we have assumed more obligations than-benefits. Therefore, developed countries should not look for quid-pro-quo in Doha round. We should be allowed to undertake commitments according to our capacity, and not with reciprocity. Exemption from tariff reduction and other commitments can give us some breathing space to integrate into the MTS.
- Market conditions for free trade is not ideal. If goods can cross borders freely, correspondingly there should be freedom of labour. The share of services traded through Mode 4 is just 1.4%. Many economists have argued that the greatest benefits from trade will come, both to developed and developing countries, if we allow temporary movement of labour across countries. This will largely improve global economic efficiency, as productivity is different across countries.
- The Uruguay Round reduced manufacturing tariffs but excluded sectors which are of critical importance to us such as clothing and textiles. The greater the market access for labour-intensive manufactures, the larger will be the gain from trade to developing countries. The overview by the Director General of WTO this year says that if Quad members were to accord LDCs duty-free access for products currently subject to tariff peaks, LDCs exports to those markets would rise by between 30% and 60%, or by as much as US\$2.5 billion. For countries like us, special treatment and opportunities are required, as we do not have many products to trade.
- We must immediately address all non-tariff barriers to our exports. The effect of non-tariff barriers is far greater than actual duties imposed. Safeguard actions, including antidumping, should be used with caution.
- In agriculture the prevailing pattern of protection and governmental support in many developed countries is biased against the poor countries. In many countries, the Bretton Woods Institutions do not allow subsidies. Even if we desire to do so, we may not have the means. It is only through the elimination of tariff peaks, and trade distorting domestic support and export subsidies that developing countries could get their share in agriculture.
- Market access can enable our countries to have markets for our products abroad, and has a strong demand-pull effect on the creation of the industries in our countries. However, the other side of the coin is creating productive capacity in

our countries. We need intervention in our productive capacity, to develop existing facility, to build a new niche. This is an overwhelming task, but not impossible. We only need efficient utilization of resources of our development partners.

8. Not all solutions lie within the four walls of WTO. There are measures such as preferential access given to LDCs. It has brought investment in few LDCs. However, conditions that accompany such preferential schemes make it unusable for us. For instance, stringent rules of origin requirement are an obstacle to the effective utilization of preferences. This needs to be relaxed, if gains are to be made from such schemes.

9. The world trading system is intrinsically linked with the financial system. A trade policy instrument cannot promote development if the international financial system is unstable. That is why coherence is important, and UNCTAD XI has rightly placed it as its overarching theme.

I thank you.

## PAKISTAN

### Points for Thematic Session on Assuring Development Gains from International Trading System and Trade Negotiations (16 June 2004)

- Trade constitutes a necessary but not a sufficient condition for development.
- A development-centered approach to trade rather than a trade-centered approach to development would be useful towards realizing the shared objective of "development for all", as resolved at the Millennium Summit.
- National policies complemented by an enabling international environment are critical towards ensuring development gains.
- An open, equitable, rule-based, predictable and non-discriminatory multilateral trading system responsive to the needs of the impoverished and the marginalized would act as a transmission system for reduction of pervasive poverty by offering new opportunities.
- Coherence between international trading and financial systems is essential towards improving development prospects which are presently undermined by continuing high debt repayments and other financial outflows from many developing countries.
- Bilateral and regional arrangements cannot form an alternative to a multilateral trading system responsive to the needs of all stakeholders.
- Cooperative and not competitive approach with regard to development calls for retrieval of Doha Round in a manner that would ensure an early harvest of the development content in the Doha Work Programme for a revival of faith of developing countries in the multilateral trading system.
- The recent signals with regard to the revival of the Doha Round are positive and encouraging but it is required to put development into the trade negotiations.
- Agriculture is the predominant sector in terms of income and employment generation in the developing countries. Elimination of gross inequalities in agricultural trade, with particular reference to the dollar 350 billion in export and other agricultural subsidies, is critical towards development gains from the multilateral trading system.
- Elimination of tariff peaks and tariff escalation against the most competitive exports of the developing countries, such as textiles and clothing, needs to be implemented on an urgent basis.
- Special and Differential treatment for the low-income countries constitutes an integral part of the WTO agreement. Its operational application would enhance the confidence of developing countries in the multilateral trading system.
- A visible commitment towards capacity building in the developing countries through the creation of an international fund under the joint auspices of the WTO, UNCTAD and the UNDP would be a concrete step in the right direction.
- Development is an object of desire for billions and must not constitute a tug of war between two or more organizations. WTO, UNCTAD and other organizations must form fora for joint reflection, within their respective mandates on issues of trade and development.

- Parallel with the structural and stabilization reforms, Pakistan in the last few years has taken enormous strides in undertaking a reform of its trade policy.
- The trade liberalization programme has had the effect of reducing the maximum tariff on imports to 25% and the number of slabs cut down to 4.
- The average tariff in Pakistan is around 17% which is lower compared to the neighbourhood and the technical barriers to trade are lowest in South Asia.
- Market penetration, diversification and value-addition constitute the three pillars of our export strategy which continues to be successful as reflected in an increase in exports on a sustained basis.

# ISLAMIC REPUBLIC OF IRAN

INTERVENTION BY THE HON MOHAMMAD SHARIATMADARI, MINISTER OF  
COMMERCE OF I.R. OF IRAN  
ON

ASSURING DEVELOPMENT GAINS FROM THE INTERNATIONAL TRADING  
SYSTEM

(16 JUNE 2004 - SESSION I)

Mr. President,

I would like to thank their Excellencies President of Uganda and President-Elect of the Dominican Republic for their insightful key note addresses. I also express my gratitude to Mr. Ricupero, Secretary-General of UNCTAD, for his very useful statement.

Mr. President,

Today, capital flows play an undeniable role in technology and technical know-how transfer, and in assisting developing countries to assume a more active part in the global economy. The important point is that firstly investment in developing countries should be based on the essential needs, and secondly, it should be channelled toward real development in order to improve human resources to strengthen technological capacity and to enhance export markets. To achieve these objectives, undoubtedly, calls for an environment in which the world economy and trade are governed by a set of transparent, non-discriminatory and fair principles and rules.

Another factor that can contribute to increased trade and better market access, is that developed countries change their attitudes toward developing ones. They deny market access to developing countries by enforcing measures known as neo-protectionist policies. For example, in the WTO, they propose talks on environmental standards, labour standards, competition policy and the like which are not in the interest of developing countries, and will impose further obligations on them and work against a balanced development.

Moreover, the global community should view the international cooperation in the area of trade and development from a fresh perspective. This new approach can only be adopted in the light of understanding the current demands, avoiding narrow and passive visions, and sharing the advances of human knowledge with other countries. The world of the 21st century should be characterized by cooperation, understanding, dialogue, and participation by developing and developed countries in the process of global decision making with respect to the policies and strategies of the world economy.

Where more than 40 per cent of the South's trade is being carried out among the countries of the South with an increasing trend, there is no doubt that trade among developing countries can be boosted to even greater volumes through creating an enabling climate for investment, transfer of technology, technical know-how and managerial skills to these countries, and by removing structural impediments in the multilateral trading system so as to make developing country obligations more balanced and equitable, and to provide market access to these countries. This will contribute to improved employment, poverty reduction in some of these countries, increased efficiency, capacity-building and optimal utilization of the existing capabilities.

Currently, because of insufficient attention to development issues of developing countries the multilateral trading system is faced with numerous challenges with regard to its macro-policies. One problem developing countries have with this system is the absence of attention to development needs, development level, and limited capacities in these countries. Ignoring these facts, developed countries keep raising their expectations. As such, countries who recently seek to join the multilateral trading system are required to undertake commitments which are far beyond the agreements and inconsistent with their level of development. Moreover, none of the countries who have completed their accession negotiations since the formation of the WTO have been allowed the transitional period granted to GATT member developing countries according to the WTO Agreement.

Mr. President,

Alongside the regional and bilateral arrangements, the prevailing approach in the past decade has been the tendency towards multilateralism and integration in the world economy through multilateral trade negotiations. However, over the recent years, the multilateral trading system has been plagued with a number of shortcomings and challenges, making it difficult to interact with the global economy in a multilateral space. This has prompted both developing and developed countries to resort to regional and bilateral approaches. It appears that if the Doha Development Agenda is taken more seriously by developed countries, there will be a renewed interest to return to multilateralism. This can save the multilateral trading system from the current trend which can in a way lead to its marginalization to the advantage of regional trade.

# MAURITIUS

## SPEECH OF HON. JAYA KRISHNA CUTTAREE, MINISTER OF FOREIGN AFFAIRS, INTERNATIONAL TRADE AND REGIONAL COOPERATION OF THE REPUBLIC OF MAURITIUS

UNCTAD XI Conference in São Paulo, 16 June 2004

Assuring Development Gains from the International Trading System and Trade Negotiations

Mr. Chairman, fellow ministers, and distinguished delegates,

The excellent document prepared by the Secretariat to support our discussions here today provides a comprehensive treatment of the key issues we need to address if developing countries are to assure development gains from the international trading system and trade negotiations. I believe that there is expectation that I should share with you the Mauritian experience, but Mr. Chairman, I think that this topic is so important that I would request your indulgence to first share with you some of my reflections on globalization and the distribution of gains from this process.

The results of globalization are what we make of it. They depend not only on the policies, rules and institutions which govern its course, but also on the values which inspire its actors and their capacity to influence the process. It is my firm belief that we all, in the trade community, wish to make globalization a means to expand human well being and to bring development to all our people. In this regard it is our shared objectives to realize this vision. This requires a process of sustained engagement of all the actors themselves, including States, international organizations, business and civil society.

As I have mentioned earlier, I am sure everybody agrees that globalization is being judged by what it delivers. We reaffirmed through the Millennium Development Goals that many of the ills of our world today; i.e. poverty, unemployment, the denial of human rights should be urgently addressed. We are not only a long way from this target, but we also see that there is growing exclusion and deprivation in certain regions of the world. For many nations, traditional livelihoods and local communities have been dislocated not only as a consequence of many factors, but also because of unbridled globalization; thus threatening environmental sustainability and cultural diversity.

We do recognize that globalization has opened the door to many benefits. It has promoted open societies and open economies and encouraged a freer exchange of goods, ideas and knowledge. Notwithstanding these positive repercussions, there is a growing concern about the direction that globalization is currently taking. Its advantages are too distant for many while its risks are too real. Its volatility threatens both rich and poor. Immense riches are found to co-exist with fundamental problems of poverty, exclusion and persistent inequality. There are persistent imbalances in the workings of the global economy which are politically unsustainable. These imbalances themselves arise from a fundamental disconnect between the economy, the society and the political class. When the economy is becoming increasingly global, social and political institutions cannot remain static, whether they are at local, regional or international levels. The claims for reform of global institutions are pressing since these institutions are not able to provide adequate democratic insights of global markets or to redress basic inequalities. There is an imperative need for better institutional frameworks and policies if the promise of globalization is to be realized.

We can never underscore enough why a process of globalization should put people first and should respect dignity and the equal worth of every human being. We therefore seek a more inclusive and fair process which brings equitable benefits and real opportunities to all people and countries, based on democracy and understanding so that human values are sustained and the well being of our people is enhanced in terms of freedom, prosperity and security. We should not forget that our peoples see globalization in terms of the opportunity it provides for a higher standard of living which meets, at least, their essential needs for food, water, health, education and shelter.

Let me therefore conclude my reflections on the globalization issue per se by making an appeal that we should work towards a sustainable path of development which provides opportunities for all, expands sustainable livelihoods and employment, promotes greater equality and reduces disparities among countries and people. These are all legitimate targets that have to be fulfilled if we are to remain true to the objectives of the Millennium Development Goals.

Allow me now to turn to the Mauritian case and to share with all of you some personal insights on what, in my view, we, in the developing countries can do to give concrete expression to this objective. As you might imagine, my insights are firmly rooted in the Mauritian experience.

Mr. Chairman,

My country Mauritius is an example of how international trade has helped development. It has however of late become evident that unbridled globalization can contribute to the demise of a society. Mauritius has experienced a dramatic economic transformation during the last 20 years, which are also the years of transition following our accession as an independent nation. Some observers have called our experience "an economic miracle" but in my view, this is not entirely solely a miracle. It is a result of an industrious act of economic and social engineering of national efforts and sacrifice. It is this collective dedication to regeneration of our economy that has enabled my country to achieve a steady rate of growth and full employment. If we have been able to diversify our economic base, which now comprises agriculture, industry, tourism and the services sector, it is very much thanks to the commitment and shared responsibilities of a whole nation.

Needless therefore to say that international trade has been an important engine of growth for Mauritius, which, like most small island developing states (SIDS), has always been characterized by a high degree of openness of its economy. We have had one of the highest index of trade openness throughout these years. Mauritius is therefore supportive of a multilateral trade system which puts development at the centre stage and gives globalization a human face.

In the early 80's, we have developed from a low-income, agriculturally based economy to a diversified middle-income economy. For most of the period, annual average growth rate has been in the order of 5 to 6 per cent.

Even more important to note is the fact that the benefits of this developmental trajectory have been widely distributed in the entire Mauritian society. These accomplishments have been accompanied by improvement and upgrading of the economic services infrastructure like transport and communications, banking and financial institutions but we have also made significant efforts in putting in place social services and infrastructure which have contributed enormously to increase life expectancy, reduce infant mortality and eradicate illiteracy. So indeed, to that extent, we can say that we have benefited from development gains from our participation in world trade and these gains have generally percolated into the Mauritian society at large.

This being said, I also believe it is necessary to also appreciate that free trade and market forces alone did not generate our progress. We started from scratch; our monoculture had nothing to offer for trade other than our sugar exports. It is therefore appropriate for me to emphasize that it is largely due to our carefully designed policies that we could steer our course to a more prosperous regime which in turn served as a primary mechanism to assure what could be counted as our development gains from international trade. This development paradigm depended on the active role of the state in coordinating national policy to harness the external trade opportunities. Without such a proactive involvement of the Government, we surely would have achieved much less. Given this reality, the main message I would like to convey to you today is that, in our experience, adequate national policy space for development is key to assuring development gains from trade in goods, services and commodities. I would also like to stress that the facilitative role of the state in allowing stakeholders to make full use of this policy space is of paramount importance but should above all reflect the political will of a nation towards building a society which is prosperous, fair and equitable.

Mr. Chairman,

But the message here is also that assuring development gains cannot be achieved through economic and trade policy alone. There is need for understanding and solidarity between North and South and also within the South itself. Furthermore, there is absolute need for a coordinated approach in policy-making, encompassing, among others, human and institutional development policies. This highlights the fundamental role of capacity building in developing countries to adapt to the process of globalisation and to derive optimal gains therefrom. The rapid shifts in the structure of demand and employment, if not carefully managed, can create serious stumbling blocks in a country's ability to cope with the globalisation process. The importance of capacity building is, thus, aptly recognised by the Doha Work Programme where it is considered as one of the core elements of the development dimension of the multilateral trading system. It is therefore imperative that back-up funding facilities remain available throughout the completion of the Round and its implementation stage.

Mr. Chairman,

Having touched upon some of the policies and actions that we in Mauritius have found are essential in assuring development gains from trade induced development, let me now address what I feel are key requirements for trade negotiations to ensure that development gains trickle down to the developing countries. As the multilateral trading system becomes more universal with the accession of a larger number of developing countries and LDCs, trade negotiations become extremely important since they will condition and predetermine what trade can concretely offer to developing countries. Trade can therefore only be expected to drive development only when developing countries participate fully and secure gains from trade, based on equitable negotiated trade agreements. In other words, unless agreements under negotiation themselves support development, right from the beginning, future trade cannot.

Allow me therefore to focus my discussion on the Doha Round of negotiations of the multilateral trading system as it plays a central role in setting the stage for world trade.

After the events of Cancún, we have all recognized the imperative need to get the negotiating process back on track. However, a regeneration of the stalled talks calls for efforts from all sides. While developing countries have interest in supporting the negotiations and moving the process forward, they have to be vigilant and must make sure that their development concerns are fully addressed by future agreements. UNCTAD's role in this context is critical in providing capacity building and technical assistance to help developing countries identify and

decide upon their trade and development priorities. UNCTAD's support is crucial in helping the developing countries in formulating negotiating proposals to safeguard their interests. Developing countries themselves must ensure that their interests are safeguarded. I must here recognize the action of UNCTAD both before and after Cancún to achieve these objectives.

A major thrust of our negotiations includes enhanced market access in agriculture, non-agricultural goods, and services. Progress in agriculture negotiations is of paramount importance to developing countries as this sector provides employment to a significant proportion of their labour force. In certain countries, it is well over 40 per cent and sustains nearly 60 per cent of the population. In fact, some 3 billion people, or half of the world's population live in the rural areas. Thus, rural development and food security remain top priorities.

However, liberalization of agricultural trade and commodities more generally, must be carefully introduced and sequenced. Sustained and unprecedented tariff liberalization will lead to a further erosion of trade preferences for many developing countries. The Mauritius miracle could not have been possible if those special preferences were not available. In this context, I would like to underscore the importance of ensuring preferential market access for both agricultural and non-agricultural exports from small and poor developing countries. I am conscious that this differentiated treatment should not become a permanent feature. It should serve as a stepping-stone to allow these small, weak and vulnerable countries to finance and dovetail their economic diversification. We have to recognize that some countries will have problems to adjust to a decline in their exports as a result of preference erosion. Hence, the critical need to address the supply-side constraints. It is nearly impossible for many countries to take up the opportunities offered by liberalization because of their lack of competitiveness.

Furthermore, commercially meaningful liberalization of trade in services by developed countries is important. Liberalization in sectors and modes of export interest to developing countries can facilitate our increased participation in international trade in services and thereby provide employment to the poorer segments of our populations.

Trade in services will offer new opportunities for many developing countries to diversify their economies when they become less competitive in other sectors. Mauritius is a case in point. After having lived first on sugar, then on textiles, sectors like tourism, financial services and more recently the ICT are now driving the development process. It is therefore essential that the services negotiation take into account this potential for developing countries whilst ensuring that S&D treatment allows them to adapt progressively to the liberalised environment.

Mr. Chairman,

An understanding of the national economic interactions with the international trading system is needed by developing countries in order to generate prompt effective supply side responses to new trading opportunities. Without appropriate supply-side capacities, the enhanced market access opportunities expected from the current round will be meaningless for a large part of the developing world. But also without international operationalisation of the elementary notion that one should not have a one-size- fits-all-approach, enhanced market access can be meaningless to a large part of the developing world. However, trade agreements by themselves will not ensure development. Developing countries' own national efforts are a *sine qua non*.

In the WTO negotiations, the African Group has been stressing the need to review the existing special and differential treatment provisions in the different WTO Agreements with a view to strengthening them and making them more precise, effective and operational. The proposals of the Small Economies Group in Geneva has generally been supported and

attention has been drawn to the need for special treatment for small economies. Mauritius has been an active Member of the African Group and has consistently promoted the cause of the weak and vulnerable countries as well as the small economies. I would like to seize this opportunity to draw attention to the fact that the vulnerability of our small economies is illustrated by our scarcity of raw materials, small domestic markets, geographical isolation, remoteness from main export markets, location in natural disaster belts, limited ability to attract investment and capital flows, and the total absence of domestic economies of scale. The Doha Work Programme has mandated that urgent responses be framed to the concerns and needs of the small economies. The outcome of the Doha Round must therefore ensure that special provisions are part and parcel of future trade agreements. This will enable such economies to capture a fair share of world trade and will ensure sustained growth and prosperity for our peoples. The Johannesburg Plan of Implementation further calls for special treatment for small island developing countries.

Mr. Chairman,

Over the past 6 months, in the pre-negotiation stage of this Conference, we have all worked hard to secure a convergence of our views. I am sure we all now recognize that UNCTAD's most important task is to reassert genuine consensus building. I believe we can now more fully understand that the way forward is to create more efficient global markets by dismantling unfair trade practices and market structures and by lifting the restraints on market opportunities that currently harm our producers and people in the developing countries. The trading system has to be balanced and equitable. This is a daunting challenge which we have inevitably to face. If the Doha Round is realized, the poor, the weak and the vulnerable will, for the first time, be able to realize their long sought expectations for a productive and a better living through an enduring partnership with both the richer nations and the other developing countries.

I cannot here overemphasize the key role that UNCTAD plays in helping developing countries to achieve this objective. UNCTAD's activities in the field of capacity building and policy analysis are therefore essential to prepare the developing countries for multilateral and regional trade negotiations. No other international organization offers us anywhere near UNCTAD's level of support in the area of trade and development. Certainly this Conference is a testimony to this fact. We will be successful in this Conference to the extent that we see UNCTAD emerge with more empowerment to deliver this legitimate task.

Thank you.

14/06/2004

# REPUBLIC OF KOREA

## STATEMENT BY HON. MR. HWANG DOO-YUN, MINISTER FOR TRADE MINISTRY OF FOREIGN AFFAIRS AND TRADE

I would like to use this opportunity to share with you some of the lessons from Korea's development experience regarding trade and the role of government.

1. Trade lifted Korea out of poverty, and has been the central driving force in our economic development.

Korea started as one of the poorest countries in the world, with a per capita GDP of just over \$60 right after the Korean War. But after adopting an export-driven development strategy in the 1960s, the Korean economy grew to where we are today: the per capita GDP increased 150 times since 1954, and Korea is now the 12th largest trading nation in the world.

I think one of the most important development gains for Korea from participating in the world trading system was exposure to competition.

The cutthroat competition in the world market induced Korean policy makers and businesses to make economically sound decisions. This helped to establish a functioning market system, as well as inducing the flow of scarce resources into areas where Korea has a comparative advantage. In other words, competition helped to rationalize the Korean economic structure and increase productivity.

At the same time, trade also opened the way for dynamic growth in the Korean economy

The biggest challenge for Korea's development was finding the capital to invest in sectors with potential comparative advantage - Trade was the solution.

Income from trade boosted domestic capital build-up. But more importantly, as market efficiency improved, more and more foreign investment came in.

In addition, Korean businesses were encouraged to identify and invest in new areas of potential comparative advantage, which would bring ever higher future returns. At the same time, the learning-by-doing effect, internalization of global standards all helped to lay the foundation for Korea's leap to a higher level of development.

2. Another lesson Korea has learned from its development experience is the importance of the government's role in development.

The government is important especially in the early stages of development, where market failures are frequent. In those stages, there is little infrastructure, and the private sector does not have enough information to make optimal long-term decisions. This means that without outside help, areas with potentially large positive externalities remain under-invested.

For these reasons the Korean government played an active role in the early stages of development. The government actively invested in basic infrastructure. Also, it identified those areas with large positive externalities and induced investment there.

However, the more important lesson was that the government's role in the economy must change through different stages of development.

Korea learned this the hard way. During the 1970s, the government's drive for heavy industries led to over-investment. And in the 1980s, the government's direct role in industrial restructuring measures created economic difficulties.

Then, our most important lesson was learned in 1997. In Korea, close ties had formed between the government and businesses in the early stages of development. At first they were helpful for managing development when the market was weak and resources were very scarce.

However, those ties later became the largest obstacle to our economic development. They led to excessive economic concentration in the hands of a few large conglomerates, encouraging moral hazard and undermining the market mechanism.

These problems remained unaddressed until the 1997 economic crisis. And for that reason, the financial liquidity problem blew up into a full-scale economic crisis.

Since then, the Korean government has engaged in redefining its relationship with the private sector, and focused its efforts on supporting a well- functioning market.

Our current reform efforts focus on establishing fair competition in the market. It was these efforts that restored confidence in the Korean economy, as demonstrated by the great increase in FDI inflows in recent years.

3. To sum up my comments, Korea's experience shows that active participation in the world trading system is an effective tool for development. Trade exposed domestic players to competition and global norms and standards, and helped to establish a well-functioning market mechanism, as well as contributing to industrial diversification, human resource development, and capital accumulation.

Korea's experience has also shown that the government's role needs to change as development progresses. It tells us that, in the long term, continuing market intervention can result in market distortions. In other words, the challenge for us is to find the right balance between the respective roles of the government and the market.

Thank you.

## MOROCCO

### ALLOCUTION DE MONSIEUR MUSTAPHA MECHAHOURI, MINISTRE DU COMMERCE EXTERIEUR, AU COURS DE LA SESSION SUR "LA CONTRIBUTION EFFECTIVE DU SYSTEME COMMERCIAL INTERNATIONAL ET DES NEGOCIATIONS COMMERCIALES AU DEVELOPPEMENT"

CNUCED XI, SAO PAULO, LE MERCREDI 16 JUIN 2004 DE 10 A 13 HEURES

Merci Monsieur le modérateur,

Mesdames et messieurs,

Le commerce extérieur joue un rôle important en tant que moteur de croissance dans l'économie marocaine. Il constitue aujourd'hui plus de la moitié du PIB national qui a enregistré un taux de croissance moyen de 60% ces dernières années. La promotion des échanges commerciaux est ainsi érigée en tant qu'une composante essentielle dans la stratégie nationale de croissance.

- La libéralisation du commerce extérieur entamée depuis la décennie 80 a permis au Maroc de diversifier ses produits et ses partenaires commerciaux. En effet, de nouveaux produits, avec une plus grande valeur ajoutée ont émergé dans notre panier d'exportation tels que les composants électroniques, la confection, les produits agroalimentaires et les technologies de l'information.
- Cependant, nos achats et ventes sur le marché international restent vulnérables aux chocs externes. Je cite à titre d'exemple l'impact de la variation du prix de baril de pétrole sur les importations. Une éventuelle récession économique dans nos marchés traditionnels pourrait entraîner une baisse dans nos exportations.
- Notre stratégie de développement du commerce extérieur vise une croissance à deux chiffres et se base sur la diversification des partenaires. Dans ce cadre, le Maroc a procédé à la conclusion de plusieurs accords de libre échange au niveau bilatéral et régional. De même, il s'est engagé à promouvoir le multilatéralisme aux forums internationaux.
- Le Maroc demeure convaincu que la poursuite d'une libéralisation du commerce international transparente et équitable le dotera d'une motivation additionnelle pour renforcer ses capacités compétitives et mieux faire face aux défis de la mondialisation.
- En effet, les exportations marocaines font toujours face à des barrières tarifaires et non tarifaires qui bloquent la pénétration de certains marchés. Son potentiel de croissance se trouve ainsi amoindri par ces obstacles qui freinent l'épanouissement des secteurs productifs et par l'investissement, l'emploi et l'amélioration du niveau de vie.
- A cette fin, le Maroc a cherché, à l'instar des autres PED, à mettre ses intérêts et ses préoccupations au centre du programme de travail adopté par la Conférence Ministérielle de Doha. La question fondamentale est de savoir quels aspects du programme de travail de Doha auraient le maximum d'effets bénéfiques sur le développement.
- Les produits agricoles demeurent assujettis à des droits de douanes élevés, et les mesures de soutien internes et les subventions à l'exportation restent importantes

dans les pays développés. Il devient urgent de procéder à une suppression des subventions à l'exportation et à une réduction substantielle du soutien interne, ainsi qu'à une amélioration substantielle de l'accès aux marchés pour les exportations agricoles en provenance des PED.

- Les négociations sur les produits non agricoles comportent des enjeux commerciaux cruciaux pour les PED en matière d'accès aux marchés et dont une flexibilité devrait être accordée pour matérialiser le développement inscrit comme élément fondamental dans l'agenda de Doha.
- Au titre du traitement spécial et différencié, les PED devraient disposer de périodes plus longues pour la mise en oeuvre des résultats des négociations et contracter des engagements différents dans le cadre des futurs accords, leur permettant à même d'atteindre leurs objectifs de développement.
- Les négociations sur les services offrent une opportunité pour libéraliser les fournitures de service par le mouvement des personnes physiques. Les PED disposent de réelles potentialités en la matière.
- Mesdames et Messieurs,
- Le système généralisé des préférences (SGP) et les autres préférences commerciales multilatérales contribuent de manière notable à améliorer l'accès des PED aux marchés étrangers. Afin d'accroître l'utilisation des préférences commerciales, il faut les rendre plus stables, régies par des conditions d'utilisation mieux adaptées aux capacités de production, de commercialisation et de logistiques des PED, élargir le nombre de pays bénéficiaires et la liste des produits visés.
- Le Maroc est d'avis que la CNUCED doit apporter une contribution importante dans l'élaboration des stratégies de développement nationales des PED en tenant compte de la mise en oeuvre effective et réelle des engagements déjà entrepris et des négociations commerciales multilatérales en cours qui sont déterminantes pour leur devenir.
- Une évaluation objective du processus de la libéralisation menée à ce jour au niveau mondial est nécessaire pour mieux orienter les pays dans la conception des stratégies de développement axés sur les nouveaux secteurs porteurs qui doivent être également identifiés.

## MALAYSIA

INTERVENTION BY H.E. DATO' AHMAD HUSNI MOHAMAD HANADZLAH,  
DEPUTY MINISTER OF INTERNATIONAL  
TRADE AND INDUSTRY AND HEAD OF THE MALAYSIAN  
DELEGATION AT THE INTERACTIVE THEMATIC SESSION ON "POLICY OPTIONS  
AND STRATEGIES TO SUPPORT DEVELOPING COUNTRIES COMPETITIVENESS IN  
THE MOST DYNAMIC SECTORS OF INTERNATIONAL TRADE", ELEVENTH  
SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND  
DEVELOPMENT  
(UNCTAD XI),  
São Paulo,  
16 JUNE 2004

Thank you, Mr. Chairman.

Malaysia wishes to contribute in the discussion by sharing our own experience in developing its new sector of growth. Among the important measures that we have taken are as follows:

One: Creating a Conducive environment for Investment.

Malaysia continues to encourage FDI as this brings in the needed capital and technology into the country. In addition to providing necessary incentives, Malaysia tries to improve the country's investment climate by removing cumbersome regulatory barriers to business. We are also seriously looking into enhancing and upgrading our delivery system (such as local government procedures) so as to reduce the cost of doing business in the country.

Two: Establishing dedicated growth areas or hubs for technological development.

We set up the Multimedia Super Corridor (MSC) to provide the ideal environment for companies wanting to create, distribute and employ multimedia products and services. It has a world-class physical and information infrastructure with new laws, policies and practices to enable and encourage electronic commerce.

We also established the Bio-valley within the MSC for the promotion and commercialization of biotechnology. Biotechnology has been identified as a new growth potential as Malaysia possesses a natural advantage in view of its huge natural resource being one of the 12 mega-diverse countries in the world.

Three: Promotion and Development of R&D to spearhead innovation and economic development.

Malaysia embarked on an aggressive policy of R&D promotion and development and we hope to increase R&D spending to at least 1.5% of our GDP by the year 2010 from the present 0.5% in order to boost national R&D capability.

Four: Development of the pool of human capital.

The government has initiated measures in generating a pool of knowledgeable, talented and highly skilled workforce. The education and training system is being constantly upgraded and improved. There will be greater emphasis on a culture of creativity, risk taking,

entrepreneurship and above all life-long learning to meet the challenges of a rapidly changing world.

Fifth: Government-led investment in high technology and advance manufacturing sector.

Malaysia gives emphasis on the development of the knowledge economy that calls for investments in high technology and advanced manufacturing industries such as biotechnology, photonics, nano-technology and advanced materials.

Mr. Chairman,

As for the role and contribution of UNCTAD, I believe UNCTAD has the capacity to analyse and formulate policy options for developing countries to participate effectively in the growth of the new dynamic sectors. Among areas that UNCTAD's contribution can make significant difference to the prospects of developing countries in the most dynamic sectors are to provide policy options for:

1. Collaboration between relevant stakeholders, including owners of technologies and providers of resources.
2. Commercialization of R&D.

Thank you for your attention.

## INDONESIA

### STATEMENT BY MR. S. SUTOYO, DIRECTOR GENERAL FOR MULTILATERAL ECONOMIC, FINANCE AND DEVELOPMENT AFFAIRS MINISTRY OF FOREIGN AFFAIRS

Assuring development gains from the international trading system and trade negotiations and strengthening participation of developing countries in dynamic and new sectors of world trade

1. The premise that international trade is an important engine of growth in the world economy and globalization has been widely accepted. There is also a strong belief that trade is an important contributor to development. The conclusion of the Uruguay Round, which resulted in the creation of the WTO in 1995, greatly enlarging the role of the Multilateral Trading System (MTS), further underscores the importance placed on international trade and trade liberalization. It is perhaps this belief in trade and the promise of prosperity from greater liberalized trade, that encouraged many developing countries to implement market oriented reforms, aligning their policies and standard with those of developed countries, as called for by the WTO system.

2. Whilst the implementation of Uruguay Round Agreement did result in an overall increased in global trade gains, the experience of many developing countries however shows, that there are wide gaps between the promises and reality. Even after committing themselves to the MTS, a large number of developing countries remain marginalized from international trade. Income inequalities have grown and remain a problem between developed and developing countries, whilst poverty remains endemic in developing countries.

3. For many developing countries like Indonesia, reducing the number of people living in poverty is probably the most important development gains, that could be derive from trade and trade negotiations. To achieve, this, it is not only the responsibility of individual developing countries to do their part to improve their development policies and strategies, so as to better meet their development needs, priorities, capacities, and challenges. But even more important the global system of trade and finance must sufficiently respond to the development needs or developing countries.

4. A key concept for developing countries in their endeavours to implement development strategies is the concept of policy space. This is important, as there is no single or universal trade and development policy recipe that can be applied to all countries. Adequate flexibilities must be given to developing countries to enable them to implement development policies, which cater to their specific needs, while at the same time still in coherence with international trade and financial system. In this context, is thus important for the international trading and financial system to better factor in the concept of policy space for developing countries.

5. Market access remains an important factor in ensuring development gains from international trade for developing countries. The continuing existence of tariff peaks and escalations in major developed markets hinder many developing countries efforts to increase exports and move towards the manufacturing of higher value added products. At the same time non-trade barriers are also continuing to be a problem. Addressing these problems both through the multilateral and regional trade negotiations would contribute to creating an enabling environment for developing countries to yield greater development gains from trade.

6. Participation in dynamic and new sectors is not only an important factor that can contribute to developing countries increase engagement in world trade, but also central to ensuring development gains from trade. The challenge facing many developing countries is not just to create the conditions to enable successful participation in dynamic and new sectors,

but also how to ensure that such participation is sustained and can truly contribute to the countries' overall development.

7. In our case, experience points to the fact that whilst supportive national policies are important determinants for developing countries participation in dynamic and new sectors, the role of the international support measures is also of critical importance. They play an essential role in ensuring that the fundamental prerequisites for developing countries' participation in dynamic sectors are fulfilled. International support measure must ensure that developing countries obtain the necessary market access, FDI, and technology and knowledge transfers, to facilitate their participation in new and dynamic sectors.

8. In this context, the role of transnational corporations (TNCs) is pivotal in ensuring developing countries' full participation in dynamic and new sectors. TNCs should not merely take advantage of the rapidly changing differences in costs, resources and logistics of developing host countries, but must also contribute to building domestic capacity through among others transfer of technology and providing adequate human resources development. This will enable developing host countries to build the necessary supporting industries to ensure that it can sustain its participation in dynamic and new sectors. In addition, TNCs should also have greater social and corporate responsibility towards their developing host countries.

9. Finally, I would like to remind ourselves that for many developing countries, there is high expectation that international trade becomes the vehicle to resolve pressing development priorities, such as combating widespread poverty, backwardness, hunger and malnutrition and pandemics. Failure to do so will not only undermine the international trading system itself, but more importantly threaten the international community commitments to half the poverty by 2015 as called for in the MDGs. In this light greater efforts must be made to mainstream trade into development and more importantly development into the international trading and financial system and trade negotiations, as to ensure developing countries participation in trade and obtain real development gains.

Thank you.

## ZIMBABWE

INTERVENTION BY THE HONOURABLE DEPUTY MINISTER K.V MANYONDA AT  
UNCTAD XI SESSION ON "ASSURING DEVELOPMENT GAINS FROM THE  
INTERNATIONAL TRADING SYSTEM AND TRADE NEGOTIATIONS"

SÃO PAULO, BRAZIL,

16 JUNE 2004

Chair

Dear Colleagues

Ladies and Gentlemen

It is good to see you there and my delegation and I congratulate you. Greetings to Excellencies and distinguished delegates.

I wish to state frankly and honestly that my country, Zimbabwe, believes in multilateralism. We subscribe to its virtues and promises. Like many other developing countries, we accept that we could develop by trading ourselves out of poverty.

At the centre of our efforts to effectively trade and realize adequate returns from the trading regime is the necessity to construct a fair trading system. Agriculture is the bedrock of many a developing country's potential to rise from poverty and achieve development. Whether it is by ill will or habit, we realize that it is in agriculture, the last frontier in which we could exercise some competitive advantage, that we face stiffest resistance to liberalize by our developed interlocutors. It is not possible for the Doha Development Agenda to be fulfilled without a fundamental and urgent effort to change trade relations between us and our development partners.

It is no longer acceptable to many of us to remain ever dependent on aid, however defined. Policy space is a unique capacity we seek to retain so that other international commitments do not prevent us from shaping and achieving domestic goals through our own strategies and resources. We therefore call on our developed partners to jettison a predilection to always dictate policies and conditionalities to us. Rather, we seek true partnerships with them so that we might achieve sustainable trade and development relations.

Chair,

Zimbabwe does not want handouts from anyone. We desire mutually rewarding relations, which will for us lead to genuine development. We therefore call on old and new friends to join hands with us, multilaterally and bilaterally, to engage in trade relations, which are sustainable and reliable in good time for our young people. In this regard, I believe our ambition is not unique.

I thank you.

# ZAMBIA

STATEMENT DELIVERED BY MR. DAVIDSON CHILIPAMUSHI,  
PERMANENT SECRETARY OF COMMERCE, TRADE AND INDUSTRY,  
REPUBLIC OF ZAMBIA

ON  
16TH JUNE 2004

ON THE THEME  
"ASSURING DEVELOPMENT GAINS FROM THE INTERNATIONAL TRADING  
SYSTEM AND TRADE NEGOTIATIONS"

Mr. Chairman,  
Honourable Ministers,  
Excellencies,

Distinguished Guests, Ladies and Gentlemen,

It is a great honour and privilege for my delegation and me to be part of this august assembly. Through the Chair, and on behalf of my delegation, allow me to express our sincere gratitude to the Government and people of Brazil for the warm hospitality that has been accorded to us since our arrival in this beautiful and memorable City of São Paulo. To UNCTAD, I wish to commend you on your 40th anniversary and we as developing countries appreciate your role in the globalized economy.

Mr. Chairman,

The concept of globalization is not new to us as it has been with us since the last decade. We are, therefore, aware that it is a phenomenon that cannot be ignored but obviously requires good management. Furthermore, we acknowledge the numerous industrial and trade opportunities it creates, particularly with the current developments in the area of information and communication technology. Indeed, developing countries including least developed countries and other commodity dependent countries can be provided with opportunities to accelerate growth, increase domestic value addition of exports, increase productivity and enhance employment and the quality of jobs. However, despite the existence of these opportunities amidst the liberalization of trade regimes, it is important that capacity be created to enable us utilize these opportunities.

Mr. Chairman,

It is also well known that a large number of developing and least developed countries, apart from having been marginalized over the last two decades in the international trading system, also remain vulnerable to external shocks. Furthermore, poverty in these countries remains high, such that even the achievement of the objectives and goals of the United Nations Millennium Declaration may remain a far-fetched dream.

Mr. Chairman,

The issue of poverty is of great concern. For instance, in my country Zambia, the levels of people living in abject poverty increased after a rapid and comprehensive process of trade

liberalization, which were accompanied by structural reforms. Over 70% of the total population lives below the poverty datum line.

Mr. Chairman,

The participation of countries like Zambia in international trade and trade negotiations should result in realization of gains such as the stimulation of accelerated growth, improved quality, variety and quantity of goods and services in our domestic economy and overall growth in the GDP.

As a developing country, we recognize that in order to maximize benefits from international trade, the formulation and effective implementation of sound national policies is a must. These national policies need to be rooted in a development driven approach that should be complemented by an enabling and positive international economic environment. In this regard, as multilateral trade liberalization deepens, with the possible erosion of market access preferences for LDCs, it is important to consider complementary international support measures for the LDCs. One such option would be to introduce new supply-side policy initiatives in order to build supply side capacity which could include inflow of FDIs and technology transfer to LDCs. This could also enable-domestic investors to gain access to cheaper finance and technology than is the case at present.

It is also essential that measures to avoid the possible marginalization of weaker economies in South-South trade arrangements are considered. These, among others, may include the further use of the Global System of Trade Preferences, the encouragement of the flow of regional FDI from the stronger economies, and the inclusion of special provisions to strengthen the weaker economies within the South-South framework. Regional arrangements should also be used as a basis for enhancing capacity to encourage cross-border investment and trade.

Mr. Chairman,

Allow me to end by emphasizing Zambia's position that better national development strategies, increased and effective international assistance and a more enabling rather than constraining international trade environment can together ensure that the major role which international trade could play in contributing to social and economic development is realized by the LDCs.

In conclusion, Mr. Chairman,

I will be failing in my duties if I do not recognize the continued efforts of UNCTAD in helping developing countries build their capacity to engage more effectively in multilateral trade negotiations.

I thank you.

# MOZAMBIQUE

H.E. SALVADOR NAMBURETE  
DEPUTY-MINISTER FOR INDUSTRY AND TRADE OF MOZAMBIQUE

ASSURING DEVELOPMENT GAINS FROM THE INTERNATIONAL TRADING  
SYSTEM AND TRADE NEGOTIATIONS

## SPEAKING NOTES

The World Bank estimates that the potential gains from further eliminating trade barriers could grow up to US\$680 billion per year, but only one third of it would accrue to developing countries.

Mozambique realizes the importance of liberalization and has undertaken far-reaching reform policies in this regard. However, the benefits of such reforms have been limited: the trade balance has not improved substantially, and the levels of poverty remain high.

Mozambique and other LDCs and low-income countries would gain most agricultural liberalization in developed countries. But this is being denied by high subsidies and other market-distorting policies.

Equally important is the positive outcome of the Doha Work Programme for global growth prospects and for the strengthening of the multilateral trading system. In this respect, UNCTAD plays a critical role in raising developing countries' understanding of trade issues on an important step towards meeting the goal of making globalization work for the poor. The road towards this goal is reflected in the theme of this UNCTAD XI.

My government is confident that our debates in this theme will help devise a common strategy to achieving an "open, equitable, rule-based, predictable, and nondiscriminatory multilateral trading and financial system".

We are aware of the combined negative effects of progressive elimination of subsidies and tariff reductions on the cost availability of food in net food importing developing countries and LDCs, and on their efforts to reduce poverty. To ensure that effective trade gains accrue to these countries, we need to put in place appropriate multilateral measures.

Economic growth and development require local knowledge and capacity. Here again UNCTAD is well placed to help us identify ways of enhancing our productive capacities and take full advantage of the duty- and quota-free access granted to us. There is a need for a simplified, flexible and realistic system of rules of origin that takes into account the industrial and technological development in LDCs.

Full reciprocity under the WTO entails high costs. As we embark on Economic Partnership Agreement (EPA) negotiations with the EU, we need to work on a new definition of special and differential treatment rules required by the new Doha mandates that take into account the implications of EPAs. I call upon developed countries to transform their best endeavours into concrete measures.

We need guidance not only in terms of whether an EPA is compatible with WTO agreements, but also on what the trade and development gains of EPAs would be. This is an area where UNCTAD could assist LDCs tremendously.

On trade in services, securing access to markets for the vast pool of low skilled manpower through effective implementation of Article IV of GATS would directly assist our poverty reduction efforts. On NAMA, concentrating our priorities on the reduction or elimination of high tariffs, tariff peaks and tariff escalation, as well as non-tariff barriers, at the same time that we address other imbalances inherited from the Uruguay Round would certainly ensure expanded gains from the multilateral trading system.

On capacity building, UNCTAD's technical cooperation activities, which include develop perspective research analysis, human resources and institutional capacity building for negotiators, have been an essential contribution to the strengthening of and commitment to national, regional and global development.

My government sees a clear distinction and complementarity between UNCTAD and the WTO. The WTO is the forum for negotiation on trade rules and norms, and UNCTAD is a forum for intergovernmental dialogue, exchange of objective views and consensus building.

It is, therefore, my government's strong view that UNCTAD should continue to play this role. In this regard, UNCTAD's independence and revitalization are important to make it possible to undertake trade analysis and to formulate alternative views and policies that promote trade and national policies focusing on job creation and poverty reduction through trade.

Thank you.

## REPUBLIC OF UGANDA

SPEECH BY THE MINISTER OF TOURISM, TRADE AND INDUSTRY OF THE  
REPUBLIC OF UGANDA  
PROF. EDWARD RUGUMAYO

I would like to begin by thanking the host Government and country for their warm reception and generous hospitality, and to thank the UN Secretariat, especially UNCTAD, for the excellent organization of this Conference.

The theme for UNCTAD XI is well chosen in view of the current global thinking which matches the International Development goals, including eradication of poverty and creation of wealth. The key words and phrases in this theme are "coherence" and "economic growth and development".

While development is man's ability to make use of nature and our environment to improve on the well-being of humanity, it is primarily the responsibility of each individual country. It, however, is the main issue in the international agenda but we have to be aware that effective development policies have to take into account market forces, especially value chain and at which level of the value chain gains can start to accrue. In this regard, what is important is the role of trade, innovation and investment in productive sectors and the capacity, as well as the ability of developing countries to make decisions that correctly influence the relevant policies. Value addition and increased productivity at the lower end of our value chain therefore becomes pertinent.

Realizing the potential for economic growth requires effective market access, which can be pursued in the framework of the Doha Development Agenda. Agriculture is the single most important sector in many African countries and therefore its modernization and further liberalization offer these countries the best prospects for accelerated growth. This should take into account the diversification of the exports base of these economies both horizontally and vertically and the formation of forward and backward linkages to sustain their processing industries.

The changing environmental, health and safety regulations and standards in developed countries threaten exports of developing countries. Most African countries have problems in coping with total quality of Hazard Analysis Critical Control Point (HACCP), other SPS regulations and technical standards that are some of the new European supermarket import conditions which go beyond the international standards. These, in addition to the high tariffs, tariff escalations and peaks suffered by our exports, will impact negatively on exports from developing countries at whichever level of the value chain. Developing countries therefore need assistance in this area to help them improve the capacity of standards organizations, and set up quality systems, particularly for products of particular importance, as well as the commitment to partnership in trade.

Multilateral trade negotiations have the capacity to sustain growth, provided we are all committed to equitable gains therefrom. Therefore, recognition has to be made of the differences in the levels of development and efforts should be directed at refocusing work towards the achievements of higher and better distributed gains from trade, investment and innovation.

Today we all want direct investment so as to create wealth by building and enhancing our capital bases, technology and skills and to also enable us benefit more from the global economy. Developing countries therefore should be empowered to attract foreign direct

investment (FDI) and build capacities for domestic direct investment (DDI) and, in so doing, generate more employment for our people.

While sustained economic growth is a prerequisite for poverty eradication and development, there is a need for special measures targeting the rural poor. Eradication of poverty and economic gains, will therefore only show immediate results if they target the rural poor by enhancing their production capacities. This could be achieved partly by harnessing natural resources and the environment in a sustainable manner since the livelihood of the rural poor is directly related to them. This closely relates to the need to address the issue of the prices of primary commodities, which have been steadily declining. Millions of small farmers in developing countries depend on these agriculture commodities for their livelihood.

All the above are challenges that have to be met within globalization as we pursue appropriate strategies for growth and development. In that context, I must commend UNCTAD for having provided constant help to developing countries in terms looking for solutions to these challenges in light of our development aspirations. UNCTAD has greatly assisted our integration into the Multilateral Trading System through Technical Assistance Programmes. Herein, I will make particular mention of the Joint Integrated Technical Assistance Programme (JITAP) that is jointly delivered by UNCTAD, ITC and the WTO as being a flag bearer in trade-related technical assistance delivery in the area of trade.

In conclusion, at forty years this year, UNCTAD has provided intellectual leadership which has helped developing countries demand and articulate a more just world order by advancing the interests of developing countries. It should continue to do so in respect of the dynamic challenges of globalization and development.

## BARBADOS

INTERVENTION BY THE HON. KERRIE SYMMONDS, M.P., MINISTER OF STATE,  
MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE, BARBADOS

AT THE THEMATIC SESSION ON "ASSURING DEVELOPMENT GAINS FROM  
TRADE AND TRADE NEGOTIATIONS"

Thank you very much, Madam Chair for permitting this intervention. Madam Chair, distinguished delegates, I speak to you on behalf of the island of Barbados, an island that is virtually devoid of any mineral resources, completely without military might and whose contribution to the sum total of the world's trade measures less than 0.01 per cent.

Despite these constraints, Barbados goes confidently forward in the belief that trade can help strengthen and diversify our economic base. We believe that participation in the system of trade can serve to enhance our productivity and efficiency and also create new avenues for the upward economic mobility of our people.

For Barbados, participation in the international trading system presents us with a delicate problematique: how does a country whose GDP is smaller than that of a below average transnational corporation maximize the benefits, but at the same time, minimize the costs of trade, so as to enable itself to be meaningfully integrated into the multilateral trading system and achieve the potential benefits of sustainable growth, development and poverty alleviation?

We begin from the unequivocal premise that participation in the multilateral trading system and trade negotiations, must not be allowed to compromise a government's ability to pursue economic policies and national development strategies that it has determined to be in the best interests of its citizens. We must be allowed the flexibility to manage ourselves. Thus, we accept that the dismantling of tariff barriers can encourage our fledgling industries to become more competitive and efficient. However, we also insist that the process of dismantlement must be conducted at a pace, and on a scale, that is consistent with domestic and regional realities.

The multilateral trading system must recognize, and trade negotiators must accept, that for many countries in the Caribbean, the excise charged at the port of entry is the only means through which revenue is raised. For many such states, capitulation to demands to dismantle tariffs overnight would mean an automatic inability to pay their public servants, educate their children, safeguard public health and maintain the rule of law. The benefits to be derived from international trade therefore would be wiped out by the incalculable losses such automaticity would imply. That cannot be the intention of the international community when it speaks of a multilateral trading system that provides benefits for all.

Madam Chair, Barbados respectfully suggests that a multilateral trading system that provides benefits for all, must deliver meaningful market access in areas of particular interest to developing countries.

Again, please permit me to be specific. I have already confessed that I represent a country that has very limited economic resources. However, to overcome this constraint, we have, as a matter of policy, invested very heavily in our human and social capital. For example, Barbados is one of the few countries in this hemisphere that provides access to state funded education for all students from primary level to Ph.D., depending on one's ability. This investment has borne fruit, and so today, we have a large number of highly skilled nationals

who are eager to capitalize on the opportunity to market their services in a liberalized world. Regrettably, however, their expectations have been dashed by their inability to gain access to the major markets of the commercial world.

In this regard, the failure of the WTO and FTAA negotiations to make real progress in the critical sphere of services has served to retard development opportunities for countries like Barbados. Indeed, in-depth analysis of the offers made by our developed partners to date, reveals their reluctance to grant commercially meaningful market access in the area of services.

Our prospects to benefit from the multilateral trading system are further frustrated in today's security conscious world, where the temporary movement of natural persons, who are themselves skilled and accredited service providers, is being hindered by heightened immigration regulations. Surely, Madam Chair, the implications of these phenomena are that security is becoming our newest non-tariff trade barrier.

It is our respectful submission that our developed country partners must speedily move to implement policies that reflect sensitivity to some of these legitimate concerns. Failing this, the quest to assure development gains will not be realized.

Madam Chair, Barbados remains committed to effective participation in the process of international trade negotiations. We are in fact currently negotiating in four theatres – the FTAA, WTO, ACP/EU and of course, our regional integration effort, the Caribbean Single Market and Economy. It is our belief that UNCTAD has a role to play in relation to these efforts.

As a knowledge-based institution, UNCTAD has the ability to undertake critical policy studies that would help us to measure the implementation and adjustment costs that Member States will incur in the process of liberalization. Secondly, we believe that UNCTAD is well placed to assist developing countries in undertaking impact assessment studies of specific sectors that are likely to be affected by liberalization. We need to be able to anticipate levels of employment dislocation, potential costs for retraining of workers, retooling of firms and building technical capacity as well as improved standards so as to take advantage of market opportunities.

Finally, Madam Chair, Barbados believes that UNCTAD has an important role to play in taking us forward within the Doha Work Programme. One of UNCTAD's strengths has been its trade related capacity building, which has enabled developing countries to make informed choices within trade negotiations. This trend must continue for if the lamb is to lie with the lion, he must receive advice on issues of timing, conditions, scope and circumstances that protect his best interests. These options are critical to his very survival. It is in this regard that UNCTAD has achieved outstanding success. All developing countries have come to rely to some extent on UNCTAD's ability to inform, analyse and propose development-friendly options. UNCTAD's ability and willingness to continue to assist us in this manner is key to developing a collaborative and responsive international economic and trading environment.

I thank you, Madam Chair.

16 June 2004

## NIGERIA

INTERVENTION BY HON. DANJUMA IDRIS WAZIRI,  
MINISTER OF COMMERCE, NIGERIA

AT THE INTERACTIVE THEMATIC SESSION ON ASSURING DEVELOPMENT  
GAINS FROM THE INTERNATIONAL TRADING SYSTEM

Mr. President,

Permit me to express my appreciation for the very stimulating exchange of views that we have had so far in this session especially the addresses made by our keynote speakers. In particular, I wish to thank President Yoweri Museveni of Uganda for his very thought-provoking remarks. He has dwelt on the major challenges that African countries face in the area of international trade and I will therefore only be making brief comments on this matter.

I believe that while globalization and liberalization may have their benefits it is also important to realize that for many developing countries these processes have brought about enormous risks and dislocation. It is therefore essential that we should place development concerns at the centre of international economic processes, and the international trading system should not be an exception.

Accordingly, a number of critical issues would need to be addressed if developing countries are to reap gains from trade that promote development. These relate mainly to improving domestic trade capabilities in developing countries and the fulfilment of commitments to bring about "an open, equitable, rule-based, predictable, and non-discriminatory multilateral trading system".

Mr. President,

There is no gainsaying the fact that developing countries have to improve their supply capacities if they are to engage meaningfully in the increased opportunities for international trade. They nevertheless face a number of critical challenges in trying to do so. For instance, most of the countries that have succeeded in diversifying and increasing their export base were able to use a strategic mix of policies, which are becoming increasingly unavailable to most developing countries. It follows therefore that a key element in assuring development gains from the international trading system is to ensure policy space for national economic decision-making.

Even where an adequate supply response might have been generated, developing country firms still face many obstacles in trying to penetrate external markets. For example, they often have to overcome anti-competitive practices by transnational corporations as well as various market access and entry barriers. It is a widely known fact that goods from developing countries continue to face tariff peaks and escalation, specific duties and a range of non-tariff barriers. Developing country governments are usually not able to provide assistance to help their firms overcome these difficulties because they are struggling to cope with the huge costs of implementing trade liberalization schemes and meeting competing demands from other vital socio-economic programmes including poverty alleviation.

Mr. President,

It is quite evident that developing countries would require support from their development partners in order to meet these challenges. However, the required resources do not seem to be forthcoming, nor is there a noticeable improvement in the international policy environment. For example, there is not much to cheer about in the ongoing Doha Round of multilateral trade negotiations. I would therefore call on all negotiating partners to give impetus to the negotiations especially in agriculture, which in our view lies at the centre of the negotiations. This should, of course, be complemented by progress in other areas of interest to developing countries, including but not limited to special and differential treatment, non-agricultural market access (NAMA) and Mode 4 of the General Agreement on Trade in Services (GATS).

I would also like to caution in the context of the international policy environment that while regional trade agreements can be building blocks for the international trading system, they should not be used to introduce standards or norms that are beyond those agreed upon at global forums.

Mr. President,

I quite agree with some previous speakers that there is a great deal of scope for South-South cooperation in the area of trade. In addition to regional trade agreements, it would be important for developing countries to fashion new arrangements or strengthen existing arrangements for mutually beneficial trade ties. The revitalization of the Global System of Trade Preferences (GSTP) seems to me to be good starting point for such cooperation and I would therefore urge the expansion of membership in the scheme to other members of the G77 as well as the deepening of concessions amongst Participants. I am optimistic that the launching of the third round of negotiations will contribute in no small measure to this desirable outcome.

Thank you for your kind attention.

## SWEDEN

REMARKS BY LEIF PAGROTSKY, MINISTER FOR INDUSTRY AND TRADE,  
AT THE SESSION ON "ASSURING DEVELOPMENT GAINS FROM THE  
INTERNATIONAL TRADING SYSTEM",

UNCTAD XI, JUNE 16

Thank you Mr. Chairman,

In the UN and elsewhere, we have repeatedly committed ourselves to halve the number of people that live in poverty by 2015.

The goal is clear and undisputed. But progress has been slow. This is true in most areas, and also for trade.

Yet, no one questions the benefits of trade for development. We all think we know what needs to be done, by whom and how.

Change is long overdue. That is also why we launched the new trade round at the WTO Ministerial Conference in Doha in 2001. Since then almost three years have elapsed without real progress. Three years of status quo. And three years of continued marginalization of the world's poor.

It would seem to me that our overall commitment to lifting poor people out of poverty has become hostage to the old-fashioned nitty-gritty characteristics of trade negotiations of yesterday.

Somewhere along the line, the broader picture got lost. Let us remind ourselves what this picture looks like.

Just to name a few examples:

- Rich countries spend six times more on various forms of support to domestic farmers than on aid.
- 70 per cent of the total tariffs that exporters from poor countries are forced to pay come from trade between developing countries.
- Up to 10 per cent of the total value of trade is wasted on burdensome, overly bureaucratic and non-transparent trade procedures.
- And despite the fact that services is the fastest growing segment in world trade, few countries have made any meaningful progress in this field.

Sure enough, the WTO round is no quick fix. But it is the only opportunity for major reforms that we have available. It is up to us to make a breakthrough for real progress or decide to stay with status quo. This is an active political choice – status quo or change.

This is also Sweden's attitude to the debate over what future trade rules should apply for developing countries. Progressivity and flexibility for poor countries should be integral parts of the final results of the round. But only as long as they support the integration of poor

countries into the world trading economy. To support policy space that does not promote long-term development is misguided.

Finally, it is important to keep in mind that the WTO is about rules – it gives no insurance on outcomes. In the WTO, we set the rules of the game. And there is no question that the new rules must become more development-friendly. But once these new rules are in place, it is ultimately up to every country to take action to maximize the benefits from trade. For example, studies have shown that corruption alone can cut up to 1 per cent from countries' GDP growth.

A fair, equitable and efficient global trading system can never compensate for unfair, inequitable and inefficient policies at home. Domestic reforms must therefore go hand in hand with the modernization of the global trading system.

This is also why we in Sweden have taken the ambitious step of making global poverty eradication a guiding principle in all areas of government policy. A new Bill, passed in Parliament last year, ensures that all our policies and actions – domestic as well as global – take into account potential effects on poverty. I call on all governments to take similar steps to ensure coherence and a more prosperous future for the world's poor.

## KENYA

HON. MR. MUKHISA KITUYI, MINISTER FOR TRADE AND INDUSTRY OF KENYA

### SESSION I: ASSURING DEVELOPMENT GAINS FROM INTERNATIONAL TRADING SYSTEM AND TRADE NEGOTIATIONS

International trade can play a major role in the promotion of economic development and the alleviation of poverty.

All countries should benefit from the increased opportunities and welfare gains that the international trade generates. There is a need therefore for countries to secure a share in the growth of international trade commensurate with their individual development needs.

While many regions have shown improved performance in international trade, structurally weak economies particularly those from Africa, have experienced a drop in world total of exports and imports. For instance, on the whole, Africa's share in world exports fell from about 6% in 1980 to 2% in 2002, and its share of world imports from about 4.6% in 1980 to 2.1% in 2002.

This phenomenon has to do with the composition of Africa's merchandise trade, the trade policies applied on the continent in the past 20 years, market access difficulties and policies of industrial countries. This has led to continued marginalization of many African countries, including Kenya, in the world trading system.

The Fourth WTO Ministerial Conference held in November 2001 in Doha, Qatar, set up a broad-based work programme that puts development as a core element and seeks to address the special development needs and concerns of developing countries.

The Doha Development Agenda therefore provides an important opportunity to correct the existing imbalance and ensure that countries both developed and developing equitably benefit from the multilateral trading system.

The results of the current negotiations in the WTO must, therefore, be supportive of development, allowing developing countries the needed policy space to adopt policy instruments that will accelerate sustainable growth and development, expand employment opportunities and reduce poverty. Further, developed country partners should give special consideration to the concerns and interest of developing countries in their trade and trade-related policies and measures.

#### **Issues for consideration in the negotiations**

(i) Special and differential treatment

Strengthened, effective and development-oriented S&D treatment aimed at addressing development needs and concerns of developing countries should be an integral part of all the subjects and elements under negotiations. Equitable treatment among developing countries should be taken into account when designing S&D treatment provisions.

(ii) Market access

**Agriculture**

The negotiations on agriculture are central to the success of the current negotiations in the WTO. The sector remains highly insulated from fair competition in industrial countries. There is need for increased market access through elimination of tariff peaks and tariff escalations on products of export interest to developing countries, substantial reduction in domestic support and elimination of export subsidies while taking into account special and differential treatment for development needs including food security and rural development.

**NAMA**

On non-agricultural market access, developing countries should benefit from reduction in tariffs, especially tariff peaks and elimination of tariff escalations which affect their key exports while at the same time allowing them to liberalize at a rate that is commensurate with their individual level of development in order to minimize the adverse impact on revenue and local industries. There is need for support from the international community to help developing countries build productive capacity in order to benefit from increased market access.

In both agriculture and NAMA negotiations special attention should be given to the impact of non tariff barriers to market access.

**Services**

In services we are in favour of a more comprehensive and meaningful market access in mode 4 in respect of all levels of skills. Mode 4 has the greatest potential in contributing to the development process of countries, particularly developing countries. There is also a need for support to developing countries in terms of building supply and competitive capacity of small-scale services suppliers.

(iii) Commodities

Commodity dependence presents a major constraint on the ability of many developing countries to take advantage of trading opportunities resulting from liberalization and globalization. Prices of primary commodities are not only unstable but they have tended to move downwards in real terms over the past several decades. UNCTAD has done a lot of work on the issue of commodities which should form a basis of a multilateral as well as a multifaceted solution for countries that depend on export of commodities.

(iv) Trade preferences

The negative impact of tariff reduction in terms of erosion of the margin of preference on the export products from preference receiving developing countries should be given special attention.

# ARMENIA

## STATEMENT BY MR. GAGIK VARDANYAN, DEPUTY MINISTER OF TRADE AND ECONOMIC DEVELOPMENT, REPUBLIC OF ARMENIA

Mrs. Chair,

Distinguished participants

Ladies and Gentlemen

It's a great pleasure and opportunity for me to share with you an information on the recent developments in Armenian economy.

In the former Soviet central planning system period, Armenia had developed a sophisticated industrial sector, supplying the USSR and foreign markets by machine building equipment, defense and space electronics and optics, chemicals, textiles, and other manufactured goods in exchange for raw materials and energy resources.

After the independence stepping into the period of radical and fundamental reforms in political, social and economic systems Government of Armenia has adopted the policy towards the solutions of the main issues, some of which are transition to a market economy, economic independence, macroeconomic stability and economic development.

The Government's economic policy targets are the following:

- Macroeconomic stability and Sustainable economic growth
- Private sector development and SME support
- Trade development and export promotion
- Investment attraction and business climate improvement
- Infrastructure development and public governance reforms
- Legislation approximation and cooperation with international organizations

The problems that are hampering the country's economic growth are the following:

- a) The existing blockade of landlocked Armenia is the most prominent element distinguishing our country from all other Transition Economies,
- b) The devastating earthquake of 1988, was one of the main issues slowing the development,
- c) The collapse of the Soviet Union resulted in the disruption of trade and rapid loss of traditional export markets of Armenian products.

In spite of these difficulties Armenia has made substantial progress since 1994 on a path toward macroeconomic and structural reforms. The benefits are becoming evident in a robust economic expansion, led by a recovery in investment and rapid export growth. The institutions mostly specific for the countries with market economy and democracy and the appropriate legislation regulating the civic legal field were created and the results of these activities are obvious now.

Land and enterprise privatization reforms resulted in the private sector development, now creating almost the 2/3 of the GDP in Armenia.

In 1989 to 1993 the GDP declined more than 55%, but from 1994 the dynamics of the economic growth changed and in 2003 increased by 13.9%. 1996-2003 were years of sustainable growth and macroeconomic stability for Armenia with average GDP growth 7.7%. In 2003 the sectors that showed steady growth are: industry (excluding energy sector) – 18.2%, telecommunications and transport – 16.0%, agriculture – 4.3% and construction – 40.0%.

There have been essential changes in Armenia's GDP structure during the transition period. Particularly share of Industry in the GDP declined from 44.5% in 1990 to 21.5% in 2003, and shares of agriculture and services increased at the same period respectively from 12.6 % to 21.5 % and from 24.9% to 41.2%.

The international trade regime in Armenia was liberalized and new production facilities were created fitting the challenges of the market economy. Armenia runs a sizeable balance of trade deficit, which the Government plans to reduce.

The qualitative changes occurred during 1998-2003 in external sector due to foreign trade expansion with developed countries. Although the weight of food stuff in imports is steadily decreasing providing sufficient import substitution (17.5% in 2003, instead of 33.5% in 1995).

Armenia became a member of the World Trade Organization (WTO) in 2003.

To maintain the sustainable long-term economic growth the Government of Armenia has declared strategic priorities of economic policy, some of which are the following:

- Improving competitiveness through a knowledge and cluster based economy,
- Investment attraction through business climate improvement,
- Supporting SMEs' development.

In addition the ICT sector was acknowledged by the Government as a priority sector of Armenian economy and ICT industry development goals and objectives were identified.

The Government of Armenia realizes the necessity of establishment of appropriate business and investment environment, as well as required market infrastructures, and is ready in cooperation with international community to face the challenges of globalization.

Thank you for your attention.

## PORTUGAL

### INTERVENÇÃO DO SENHOR SECRETÁRIO DE ESTADO ADJUNTO DO MINISTRO DA ECONOMIA XI CONFERÊNCIA DA UNCTAD

#### INTERVENÇÃO RELATIVA AO TEMA “ASSEGURAR GANHOS DE DESENVOLVIMENTO DO SISTEMA COMERCIAL MULTILATERAL E DAS NEGOCIAÇÕES COMERCIAIS”

Quero começar por felicitar a organização pela inclusão de tão importante tema no âmbito das discussões desta XIª Conferência da UNCTAD.

O rápido crescimento do comércio multilateral é, em si, de enorme benefício para todos os países.

Por isso, a União Europeia e Portugal, continuam empenhados em promover a participação dos países mais desfavorecidos no sistema comercial internacional.

Consideramos que, neste contexto, deve ser posto em prática o compromisso assumido na IIIª Conferência da Organização das Nações Unidas sobre os Países Menos Avançados, relativo à isenção de direitos e de contigitação para todos os produtos dos Países Menos Avançados, principalmente os do continente africano.

O sucesso das negociações de Doha é também um requisito para darmos um passo em frente no comércio mundial e no desenvolvimento.

E do processo negocial deverá resultar:

- uma maior abertura dos mercados para bens e serviços de particular interesse para os países em desenvolvimento;
- a implementação dos Acordos da Organização Mundial de Comércio;
- uma efectiva implementação do Tratamento Especial e Diferenciado;
- e ainda um reforço ao nível de assistência técnica.

A UNCTAD deverá continuar a centrar os seus esforços na defesa dos países mais desfavorecidos no sistema comercial internacional, desenvolvendo e promovendo propostas de acção que ajudem a combater o fosso de desenvolvimento e a identificando oportunidades de cooperação activa entre países desenvolvidos e países em desenvolvimento.

Assim consideramos fundamental reafirmar as conclusões e os resultados obtidos nas grandes conferências internacionais, com particular destaque para o do Plano de Acção de Bangkok.

Também se reveste da máxima importância a promoção de esforços tendentes à integração regional dos países em desenvolvimento. Essa integração ajudará à concertação de esforços que assegurem crescimento e desenvolvimento sustentável, permitindo converter tais objectivos políticos de aprofundamento da integração regional em recomendações e acções concretas no terreno que permitam retirar pleno benefício da criação de mercados locais.

Ainda no contexto regional, é de encorajar a iniciativa de integração Sul-Sul pelas reais potencialidades que representa para os Países em Desenvolvimento.

A crescente liberalização do comércio internacional e o fenómeno da globalização devem ser encarados como motores fundamentais do desenvolvimento económico sustentável com benefícios para todos os países e povos do mundo.

Compete às organizações internacionais – nomeadamente a OMC e UNCTAD – promover processos de concertação e entendimento mútuo que combatam as tentativas de reforço de medidas proteccionistas e que, pelo contrário, asseguram um crescente levantamento das barreiras ao comércio de bens e serviços.

Particularmente a UNCTAD tem responsabilidades acrescidas na identificação e mobilização activas das potencialidades comerciais dos países em desenvolvimento.

Os efeitos benéficos do desenvolvimento do comércio internacional serão tanto mais sentidos quanto se verificarem, paralelamente, esforços no sentido de se criarem ambientes favoráveis ao investimento e à iniciativa privada em matérias como a adopção de princípios de boa governação, a criação de quadros regulatórios propícios ao investimento e à promoção da Democracia do Estado de direito e da igualdade de oportunidades entre sexos.

Em suma, o comércio internacional desde que complementado pela adopção de políticas internas sólida promove o crescimento económico, a erradicação da pobreza e o desenvolvimento sustentável .

Compete, por isso, à comunidade internacional apoiar iniciativas dos países em desenvolvimento que visem a revitalização da sua economia, tirando proveito das suas potenciais vantagens comparativas, das quais se destacam, ao nível dos sectores mais dinâmicos, o Turismo.

É neste quadro que Portugal se associou aos eventos pré-Conferência da UNCTAD ao ser anfitrião da Reunião Internacional de Peritos de Alto Nível sobre Turismo Sustentável para o Desenvolvimento realizada em Lisboa, de 8 a 11 de Março de 2004, que contou com a participação de cerca de 60 países.

O Turismo cria emprego, é fonte de divisas, potencia a criação de pequenas e médias empresas, contribui para a fixação das populações e estimula o crescimento de outros sectores que lhe servem de suporte e que com ele interagem.

Por isso, a Declaração de Lisboa reconheceu que o turismo é hoje encarado pelos países em desenvolvimento, em particular os PMAs, como um instrumento vital na luta contra a pobreza.

A União Europeia tem estado atenta às necessidades dos Países em Desenvolvimento, e em especial às dos Países Menos Avançados.

Nesse âmbito, a União Europeia tem vindo a fomentar um conjunto de iniciativas, designadamente:

- o sistema de Preferências Generalizadas (SPG) do qual beneficiam 142 Países em Desenvolvimento;
- a Iniciativa “Everything but Arms” - concessão unilateral de isenção de direitos e contingentes aos produtos originários dos Países Menos Avançados (beneficiam 49 países);
- o Acordo de Cotonou do qual usufruem 77 países da África Caraíbas e Pacífico;
- Acordos de comércio livre (com o México, a República da África do Sul e os países Mediterrâneos) e a

- Helping-Desk for Developing Countries assegurando a esses países a obtenção, de forma facilitada, de toda a informação que necessitam para a concretização das suas exportações para a União Europeia.

Para terminar gostaria de reafirmar o que ontem disse na sessão plenária.

Esta XIª Conferência da UNCTAD é já um importante passo na aproximação entre países desenvolvidos e países em desenvolvimento.

Todos temos a ganhar com essa aproximação e com a adopção de atitudes construtivas no relacionamento entre países desenvolvidos e países em desenvolvimento.

Estamos irmanados – países em desenvolvimento e países desenvolvidos – nos mesmos objectivos: aumentar a riqueza mundial, reduzir a pobreza, combater as desigualdades sociais e erradicar as doenças crónicas que, a nível mundial, são uma ameaça crescente.

Como também ontem afirmei estou seguro que a abertura ao comércio e ao desenvolvimento, a redução dos proteccionismos e a consolidação da democracia num número cada vez maior de países são a certeza de que o século XXI representará uma viragem histórica positiva para toda a humanidade.

Muito Obrigado,  
Franquelim Garcia Alves  
Secretário de Estado Adjunto do Ministro da Economia  
16 de Junho de 2004.

## URUGUAY

DISCURSO DEL SEÑOR MINISTRO DE RELACIONES EXTERIORES  
DR. DIDIER OOERTTI BADÁN  
SESIÓN CORRESPONDIENTE AL SUBTEMA III DE LA CONFERENCIA  
UNCTAD XI SAO PAULO, BRASIL.

Agradezco señor Presidente la invitación a participar en esta reunión y la oportunidad de hacer algunas reflexiones sobre el tema que nos convoca "Obtención de beneficios en materia de desarrollo a partir del sistema comercial internacional y de las negociaciones comerciales". Parto de la realidad de mi país pero soy consciente que es igualmente aplicable a la mayoría de los países en desarrollo.

El crecimiento y desarrollo del Uruguay está inexorablemente ligado a la expansión, modernización y diversificación de su sector externo. Estos objetivos están a su vez relacionados con una mayor inserción del país en la región y en el mundo.

En otras palabras, una primera realidad que debe reconocerse, es que mi país, ya sea a nivel individual, ya sea como miembro del MERCOSUR o como eventualmente miembro de un proceso de integración más amplio, si quiere crecer y desarrollarse, debe integrarse a la economía mundial.

Obviamente tenemos que tener claro el tipo de inserción que queremos en este orden mundial. No nos sirve cualquier tipo de inserción. Nuestro objetivo debe apuntar a que dicha inserción gravite positivamente sobre una expansión tanto cuantitativa como cualitativa de nuestro sector externo: crecimiento, diversificación, mayor valor agregado, aumento de la productividad y competitividad internacional, creación de empleo y disminución de la pobreza.

Para ello lo que se necesita es una articulación clara entre los objetivos de política de desarrollo del Uruguay, con los instrumentos a su alcance para lograrlos y con el proceso de negociación adecuado para instrumentarlos.

Por lo tanto mi primera afirmación es que es verdad que el comercio no es un fin en sí mismo, con objetivos las políticas comerciales pueden ser un instrumento importante para el desarrollo de un país en la medida en que estén bien integradas y articuladas con las políticas y estrategias nacionales que apunten hacia metas de desarrollo claramente definidas en el plano tanto económico como social.

Mi país tiene actualmente una oferta exportable esencialmente agrícola y ganadera, aunque ha incursionado exitosamente en los últimos años en sectores más dinámicos del comercio fundamental de la agricultura ha sido desde la creación del GATT y sigue siendo actualmente el objetivo prioritario nuestra política comercial. Estamos convencidos que el logro de este objetivo es el que traerá los mayores beneficios en términos de crecimiento y desarrollo para el país

Los múltiples obstáculos y distorsiones al comercio agrícola mundial son bien conocidos por todos ustedes y se refieren a los tres paires bien definidos en la declaración de Doha: acceso a los mercados, apoyo doméstico y subsidios a las exportaciones. Solo me limitare a recordables la la magnitud de alguno de estos problemas para que puedan vislumbrar los potenciales beneficios que una eliminación que o reducción sustancial de los mismos acarrearía para los países productores eficientes de estos rubros.

En materia de acceso a los mercados, el promedio de protección arancelaria de los productos agropecuarios es doce veces superior al de los productos industriales. Son comunes los picos arancelarios de 200 % Y 300 % ad valorem y persiste un nocivo escalonamiento arancelario que dificulta el acceso de productos con mayor grado de elaboración.

Por otro lado el apoyo total a la producción en los países de la OCDE se mantiene desde hace varias décadas en niveles impresionantes. Se estimaba al finalizar el periodo de instrumentación de la Ronda Uruguay que dicha suma era de 360 mil millones de dólares americanos, es decir mil millones de dólares diarios. Este monto es superior al total del valor de las exportaciones de todos los países de América Latina y el Caribe (desde México hasta el sur de Argentina); más de ocho veces superior al total de flujos de inversión extranjera directa que llega a la región y seis veces el monto total de ayuda oficial para el desarrollo (ODA) que reciben anualmente todos los países en desarrollo. En el año 2003 esta cifra había disminuido algo, ubicándose en niveles del orden de los 345 mil millones de dólares. Con estas distorsiones no podemos utilizar plenamente nuestra ventaja comparativa para mejorar nuestro crecimiento.

Nosotros consideramos que es en el contexto de las actuales negociaciones multilaterales en la OMC, conocidas como la Ronda de Doha para el Desarrollo, donde tenemos las mejores posibilidades de conseguir: mejoras sustanciales del acceso a los mercados; reducciones sustanciales de la ayuda interna causante de distorsión al comercio y la eliminación de todas las formas de subvenciones a la exportación.

Obviamente que en materia comercial un pequeño país como el Uruguay no puede concentrar todos sus esfuerzos en un solo escenario de negociación. De ahí que el Uruguay, aparte de sus acciones en la OMC, este actualmente involucrado en otros escenarios de negociación que también buscan la liberalización del comercio, tales como: la profundización del propio proceso de integración del MERCOSUR; su extensión a otros países de la región; las negociaciones de un ALC con los países andinos: las negociaciones del ALCA; las negociaciones MERCOSUR - su, extensión a otros países de la región, las negociaciones MERCOSUR – UE, así como varias negociaciones con ALC con los países andinos como varias negociaciones con terceros países (India, Sudafrica, etc) ya sea individualmente o como miembro del MERCOSUR. De lo que se trata es de definir con claridad los objetivos prioritarios que podemos sacar de cada uno de estos diferentes escenarios de negociación y de definir una estrategia clara para cada uno de ellos.

También apoyamos con entusiasmo el lanzamiento de una ronda de negociaciones comerciales entre países en desarrollo, como la Tercera Ronda de negociaciones UNCTAD/SGPC, aunque nuestra aspiración sería el logro de resultados mucho más ambiciosos que en las primeras dos rondas. En ese sentido estamos dispuestos a considerar un trato muy favorable para países de menor desarrollo.

En materia de servicios consideramos que todos los sectores de servicios desempeñan una importante función en el desarrollo de un país y el Uruguay ha desarrollado una estrategia nacional relativa a este sector. Tenemos intereses ofensivos y no meramente defensivos en este sector y prueba de ello es que fuimos el primer país en desarrollo en presentar una oferta en dicho sector en el marco de las negociaciones actuales de la OMC.

También estaremos muy vigilantes en las negociaciones sobre reglas subvenciones, anti dumping). Asimismo, le otorgamos una alta prioridad a que en todos los acuerdos comerciales que se negocien se les conceda un trato especial y diferenciado eficaz y operativo a los países en desarrollo.

Para finalizar quisiera referirme a la contribución de la UNCTAD en esta materia. Mi Presidente, en su intervención el día lunes, dijo claramente que nosotros privilegiamos el fortalecimiento de la capacidad de análisis de la Organización en todos los temas de su competencia esto nos parece muy relevante en cuanto a la evolución del sistema comercial internacional desde la perspectiva del desarrollo. Nos interesa también seguir recibiendo de la UNCTAD capacitación para los negociadores nacionales en varias áreas de la negociación internacional en el marco del Programa de Trabajo de Doha. Asimismo, que siga apoyando el fortalecimiento institucional de los países en desarrollo en áreas donde existen carencias.

La UNCTAD debería también examinar la interacción entre el sistema comercial multilateral y los acuerdos comerciales regionales, así como promocionar el comercio Sur

La UNCTAD debería seguir vigilando la situación en los mercados internacionales de productos básicos y formulando estrategias y políticas que respondan a los retos que enfrentan los países en desarrollo.

Finalmente, la UNCTAD debería celebrar exámenes sectoriales de los sectores. Más dinámicos del comercio mundial y hacer sugerencias y recomendaciones sobre las mejores opciones de inserción en los mismos por parte de países en desarrollo.

**San Pablo, 16 de junio de 2004**

# INDIA

H.E MR. H. S. PURI, AMBASSADOR, PERMANENT MISSION OF INDIA, GENEVA

DRAFT INTERVENTION ON:

ASSURING DEVELOPMENT GAINS FROM THE INTERNATIONAL TRADING  
SYSTEM AND TRADE NEGOTIATIONS

INTERACTIVE THEMATIC PLENARY

16 JUNE 2004

This is an important topic for a developing country like India, which is interested in increasing its global trade share for the benefit of all our people, and I would like to focus on two aspects. Firstly, what I think are key principles that must be followed to assure development gains from international trade, the trading system and trade negotiations. Secondly, from India's perspective, what are the areas that are crucial for delivering these gains and how that may best be addressed in ongoing negotiations – in the WTO and elsewhere.

Let me first outline the cardinal principles that I think are indispensable for assuring development gains.

- 1) There should be genuine liberalization by their major trading partners in pro development areas and sectors, i.e. those in which developing countries have current and emerging comparative advantages. We need to break from the traditional pattern of developed countries seeking special carve-outs and protection in these areas on grounds of their so-called sensitivity, e.g., agriculture, textiles, Mode 4 and outsourcing of services.
- 2) We need trade rules that enable developing countries to best leverage their resources, particularly their vast reservoir of labour. This means giving better access to labour-intensive exports of goods and services of developing countries and more scope to the mobility of developing country labour in international trade.
- 3) In order that trade can contribute to the enormous challenge of poverty reduction, poverty-sensitive export sectors of developing countries should be promoted and supported, including through enhanced and predictable access in premium markets.
- 4) Developing countries must be encouraged to capture better and higher returns from their exports of commodities, manufactures and services, including through trade and investment synergies that enable increased value added and technology intensity. UNCTAD's thrust towards increasing developing country participation in dynamic and new sectors is to be encouraged.
- 5) The rules of the game, both in terms of intergovernmental arrangements as well as operation of international markets, must ensure fairness and guarantee a level playing field for developing countries while taking account of their special needs and limited capacities, both structural and system induced, vis-à-vis developed country partners.
- 6) In a context where the state in developing countries is required to deliver a wide variety of public goods, they need greater flexibility to use development policy instruments best suited

to their national conditions. The trading system must accommodate this policy space imperative.

7) There must be an end to the double standards whereby developed countries demand that market forces should freely determine trade flows whilst at the same time resorting to trade distorting interventions, including through massive subsidies in agriculture, industry and services sectors, which developing countries are unable to afford, let alone match. Market-distorting anti-competitive practices of developed country global enterprises that cause massive losses to developing country producers, enterprises especially SMEs and consumers, also need to be controlled.

8) Since the trading system has vested so many rights in, and has expanded the strategic space for, global enterprises, they have a particular responsibility and a duty towards investment in broader economic and social development and in the nurturing of developing country markets of the present and the future. This must be reflected in this trading system and associated trading rules.

9) The simpler and more visible, trade barriers like tariffs which are being reduced, must not be replaced in the developed country markets, by more sophisticated, difficult to overcome, market entry conditions and related measures. Otherwise what is gained in increased market access will be virtual since it would be more than neutralised by what is lost because of market entry barriers like SPS, TBT, environmental and other standards and requirements and complex rules of origin.

10) The balance in terms of gains and adjustment pains has always been tipped against developing countries because they are being asked to "uplink" to what developed countries have already established and reached a mature stage on. The time has come, particularly in the context of the new trade geography, that we not only assure balanced and adequate development gains and returns to developing countries from trade negotiations and trading system but also seek to minimize adjustment pains that detract from development.

Let me turn to some key areas where India expects benefits and development gains and would seek to minimize development deficit, particularly from multilateral trading systems and trade negotiations.

#### Textiles

a) As a country which is cost quality competitive in this sector, we attach importance to the definitive removal of the forty year old MFA restraints placed on developing country export of textiles and clothing, due in 2005 would be a landmark achievement. It is an employment generating, poverty and gender sensitive and SME intensive sector in India, providing employment and sustenance to 35 million people directly and 58 million indirectly, cutting across the rural and urban divide. We believe that India could share in what UNCTAD has projected as an increase of 27 million jobs and \$40 billion in export revenues from liberalization of textiles trade. So far our expectations from the promise of the Uruguay round to free up this trade have been largely belied as restraining developed countries have "backloaded" the liberalization and 80 per cent of the restrained products are still not freed. In the post-ATC phase, the disappearance of quota premium is expected to exert a downward pressure on prices and create more favourable conditions for competitive exports from developing countries. We hope this will not encourage protection-seeking interests in developed countries to take recourse to alternative methods of protection such as unjustified anti-dumping action or arbitrary labour and environment conditions and codes of conduct to become new constraints for market entry of exports from developing countries.

## **Agriculture**

b) India was one of the leading developing nations which took the lead, from the very launch of the Uruguay Round of discussions at Punta Del Este in September 1986, that "Agriculture" should be brought within the purview of GATT. The anticipated gains from agricultural reform and trade liberalization by developed countries have eluded the developing countries till now. On the contrary, developing countries like India have found it difficult to have fair access for their agricultural exports in developed and developing countries due to competitiveness distortions and high market access barriers. Timely and effective implementation of the commitment by the developed countries to eliminate distortions in world agriculture markets prices caused by their subsidies and removal of market access and entry barriers holds the key to resolving the agricultural impasse and opening up new trade and development opportunities for developing countries.

We must not forget that agriculture is not only about trade but has vital development ramifications. Food security and rural livelihood are of immense economic relevance and also of a great socio-political concern in many developing countries including large agrarian economies like India. 650 million people in India are solely dependent on agriculture. The legitimate concerns of billions of farmers in developing countries for whom agriculture means survival, and not commercial operation, have to be taken into account. This vulnerability fully justifies the extension of special and differential provisions in this area to developing countries for ensuring their food and livelihood security concerns.

## **Services**

c) UNCTAD's recent studies have shown that genuine liberalization of Mode 4 will yield the maximum development gains from multilateral trade negotiations and that gains from dynamic and new sectors like IT enabled outsourcing of services are also poised to benefit many developing countries, including mine. In the case of Mode 4, developed countries have made minimum binding market access commitments in the GATS in Mode 4 and their scope is further reduced due to a number of entry conditions, administrative and procedural requirements. Multilateral commitments for liberalized, commercially meaningful and effective market access in Mode 4 would signal the sincerity of the international community to deliver development gains to developing countries.

India has already identified along with the group of 18 the barriers which need to be addressed for this result. Most important of our suggestions relate to the removal of economic needs test ENT, transparency of visa regimes including a facilitated or "smart" GATS visa, ease of mutual recognition etc. In relation to Mode 1 enabled services, we would expect that governmental and other protectionist barriers – both explicit and implicit, are removed and new ones not put in place. There should be no breaks put on global enterprises seeking to invest in and outsource to developing countries for cost quality competitive reasons, since as UNCTAD and a host of other studies have indicated, both Mode 4 and Mode 1 related economic activity is a win-win for both developed and developing countries in jobs, welfare, efficiency and wealth creation.

Finally, Mr. Chairman, I would like to commend and endorse the excellent analysis of UNCTAD in the background reports for this plenary. We expect to continue its good work in analysing and consensus building key issues relating to development gains from international trade, trading system – WTO and the RTAs – and from trade negotiations, we also commend and look forward to UNCTAD's initiatives on dynamic and new sectors and on development benchmarks.

## GABON

INTERVENTION DE SON EXCELLENCE MONSIEUR PAUL BIYOGHE MBA,  
MINISTRE DU COMMERCE DU DÉVELOPPEMENT INDUSTRIEL, CHARGE DU  
NEPAD DU GABON.

THÈME: « ASSURER LES GAINS EN MATIÈRE DE DÉVELOPPEMENT PROVENANT  
DU SYSTÈME COMMERCIAL INTERNATIONAL ET DES NÉGOCIATIONS  
COMMERCIALES »

Monsieur le Président,

Distingues invités,

Mesdames Messieurs

Tout effort allant dans le sens d'identifier les voies et moyens pouvant permettre d'orienter les gains de l'échange international vers la réalisation du développement, doit se situer à un double niveau, national et international.

Au niveau national:

- L'action préalable doit porter sur l'amélioration des mécanismes de Gouvernance dans les domaines politique et économique.
- Cela s'est traduit par la mise en place, dans notre pays, des institutions permettant de garantir l'expression des libertés civiques et la démocratie, de lutter contre la pauvreté et tout récemment, contre l'enrichissement illicite. En matière économique, des reformes structurelles visant à assurer une meilleure régulation du marché se poursuivent.
- La gouvernance économique dont il s'agit suppose la réalisation du recensement des potentialités économiques de la nation et l'élaboration d'une stratégie rationnelle, pragmatique et efficace visant leur mise en valeur.
- Au niveau international:
- La réalisation de ces préalables au plan national conduit inéluctablement à prendre appui sur le cadre international pour consolider les effets bénéfiques de la dynamique économique endogène.
- Un des défis majeurs du système commercial international réside dans sa faculté à intégrer les logiques de l'organisation économique régionale et sous-régionale.
- Ainsi, le débat sur l'ouverture des marchés des produits agricoles et non agricoles, ainsi que l'élimination et/ou la réduction des subventions que les pays développés accordent à leurs agriculteurs doit avoir pour finalité la lutte contre la pauvreté et l'instauration d'un développement durable.
- Monsieur le président,
- Pour le Gabon, mon pays, il est impérieux de rompre avec le cercle vicieux de l'économie de rente et d'assurer la diversification de celle-ci. C'est l'un des axes

essentiels de la politique économique du Président de la République, chef de l'Etat, Son Excellence EI HADJ OMAR BONGO ONDIMBA.

- En effet, le souci du Gabon est de pouvoir tirer profit de la mondialisation, non seulement à travers les ressources minières, mais surtout et également dans de nouveaux secteurs à forte valeur ajoutée tels que: la pêche, la biodiversité et le commerce biologique, l'industrialisation de la filière bois.
- Plusieurs pistes existent et des initiatives sont engagées de par le monde, qui sont de nature à accroître les bienfaits du système commercial international et des négociations. Commerciales sur la réalisation du développement économique et social. Tout cela reste à consolider par les efforts de tous et par une volonté politique internationale plus marquée.
- Cela suppose en définitive, un jeu harmonieux et équitable des dimensions nationale et internationale.
- Je vous remercie.

## NICARAGUA

INTERVENCION SESION TEMATICA COMERCIO UNDECIMA MINISTERIAL  
CONFERENCIA DE NACIONES UNIDAS PARA COMERCIO Y DESARROLLO  
(UNCTAD)

SR. JULIO C. BENDANA,

DIRECTOR GENERAL DE COMPETENCIA Y TRANSPARENCIA DE MERCADOS  
MINISTERIO DE FOMENTO, INDUSTRIA Y COMERCIO

NICARAGUA

SAO PAULO, BRASIL 16 DE JUNIO 2004

Honorable Sr. Presidente,

Honorables Señores Ministros,

Distinguidos participantes todos,

Para Nicaragua es de suma importancia la celebración de esta Undécima Ministerial de la Conferencia de Naciones Unidas para Comercio y Desarrollo (UNCTAD), particularmente tomando en cuenta el oportuno tema de la misma que hace referencia a la necesidad de "Aumentar la coherencia entre las estrategias nacionales de desarrollo y los procesos económicos mundiales en pro del crecimiento económico y el desarrollo, particularmente de los países en desarrollo".

El subtema que nos ocupa, el cual lleva por título "Asegurar ganancias para el desarrollo de los sistemas y las negociaciones comerciales" esta intrínsecamente ligado con el tema de esta Conferencia y brinda la oportunidad a los países participantes de intercambiar ideas, experiencias y propuestas que permitan a la UNCTAD retroalimentarse y enfocar o reenfocar su programa de trabajo basándose en las necesidades y propuestas aquí expresadas.

Nicaragua, esta convencida de la necesidad e importancia de utilizar el comercio como un medio para alcanzar el desarrollo socio económico. Tal necesidad explica los crecientes procesos de apertura en el ámbito comercial. Las negociaciones retratados regionales de libre comercio, como es el caso del CAFTA, entre otros, responden a la necesidad de los países a relacionarse comercialmente en un ambiente predecible, justo y transparente, fortaleciendo así los procesos democráticos, la gobernabilidad, la seguridad y la paz social.

Las experiencias nos han enseñado que no podemos seguir trabajando con enfoques divididos y aislados. El tema de comercio debe ser tratado de forma sistémica tanto en el plano nacional como internacional y multilateral.

En el ámbito nacional, se debe procurar la creación de políticas que integren el comercio dentro de las estrategias de desarrollo nacional. En el plano internacional, los organismos financieros y de desarrollo deben tomar igualmente en cuenta en sus políticas de financiamiento para el desarrollo las particularidades y necesidades de países como Nicaragua, dependientes de productos básicos y con altos niveles de endeudamiento. Sabemos que ambas circunstancias son comunes a muchos países en desarrollo, sin embargo de manera particular a los países pobres altamente endeudados quienes a la vez de tener situaciones críticas de desarrollo económico, su realidad se agrava con las restricciones severas en cuanto al acceso para financiamiento.

Quiero referirme a la situación particular de los productos básicos, en donde una gran cantidad de países dependen de la exportación de dos o tres productos básicos, siendo estos en su mayoría productos agrícolas. Según estadísticas, de los 141 países en desarrollo existentes, para 83 de ellos los productos básicos representan mas de la mitad de sus exportaciones. Así mismo cabe resaltar la creciente dependencia global existente a productos básicos como el petróleo, lo cual crea una doble dependencia de los productos básicos, tanto en la exportación como la importación de los mismos.

Esta situación se agrava por la inestabilidad en los precios internacionales de la mayor parte de los productos agrícolas, (tales como el café, carne, algodón, maíz, por mencionar algunos). Otros factores importantes por aludir son: El elevado porcentaje de excedentes. Devenidos de la sobreproducción de productos básicos a causa de los subsidios y ayudas internas que distorsionan la producción, así también, cabe mencionar los problemas o bajas cíclicas inherentes a toda actividad agrícola. Todas estas situaciones que aunadas a los problemas en acceso a los mercados internacionales por parte de nuestros productos, erosionan nuestros esfuerzos en procurar la seguridad alimentaria y un desarrollo rural real a nuestro sector agropecuario.

Al describir de forma general algunos de los aspectos que en el contexto mundial definen la problemática de los países dependientes de productos básicos, no puedo dejar fuera de este análisis el vínculo existente entre estos y el tema deuda.

La cuestión de la deuda externa, su manejo e impacto sistémico en el desarrollo ha sido motivo de estudio por parte de UNCTAD desde hace ya varios años, UNCTAD ha jugado un rol líder en esta materia que demanda cada año más análisis y pasos concretos a tomar. Así también, posterior a la Cuarta Ministerial de Doha en Noviembre de 2001 se acordó el establecimiento en la OMC de un grupo de trabajo sobre comercio, deuda y finanzas que tiene como objetivo examinar la relación entre estos temas y realizar recomendaciones al respecto.

Todas estas acciones, subrayan la importancia de este tópico, particularmente para Nicaragua, país pobre altamente endeudado dentro de la iniciativa HIPC. Es de primer orden destacar el vínculo sistémico entre comercio, deuda y finanzas. Consecuentemente, siendo Nicaragua también un país dependiente de la exportación de productos básicos, es obligatorio resaltar la relación innegable e impacto directo entre la deuda y los productos básicos.

Al respecto, nos da mucha satisfacción subrayar que UNCTAD, confirmando su liderazgo en el área de productos básicos y en cumplimiento a su mandato de realizar un trabajo especializado en cuanto a la investigación, análisis, propuestas y asistencia a los países en desarrollo en esta materia, ha señalado desde principios de los años 80 la relación existente entre la baja de los precios internacionales de los productos básicos, sus consabidos efectos con la caída de las exportaciones y los problemas vinculados al tema deuda.

Los efectos resultantes de la inestabilidad de los precios de los productos básicos en relación con los ingresos de exportación de los países dependientes de estos productos impactan de forma negativa no solamente desde la perspectiva de variables macroeconómicas tales como la balanza de pago, el ahorro, la acumulación de capital, los tipos de cambio y la hacienda pública. Las consecuencias nefastas además, se hacen visibles en las tasas de empleo y crecimiento económico y social de nuestros países.

Es importante evaluar los elementos de esta problemática a como parte de un todo, que requieren un análisis integral así como la ejecución de medidas concretas. Somos conscientes que es un tema que requiere tratamiento de parte de todos los actores involucrados desde el ámbito de los países afectados, la comunidad internacional, las organizaciones internacionales competentes y los organismos financieros internacionales.

Para concluir, no podría dejar fuera de esta intervención, la necesidad de incrementar el apoyo que debe ser brindado a países en desarrollo sobre temas importantes e intrínsecamente vinculados tales como: acceso a mercados, obstáculos técnicos al comercio, barreras de entrada, competitividad; así también temas en los cuales estamos desarrollando algunas actividades como Comercio y Medio Ambiente, políticas de competencia, inversiones y Productos básicos.

En todas estas áreas estamos recibiendo cooperación técnica de parte de la División de Comercio de la UNCTAD, misma que esta contribuyendo a formar y crear capacidades de forma particular en Nicaragua y en la Región en general. Esta cooperación será eficiente y aprovechada en la medida que los demandantes de cooperación sean quienes definan sus propias prioridades.

# THAILAND

## STATEMENT BY AMBASSADOR CHAIYONG SATJIPANON AT THE INTERACTIVE SESSION ON “ASSURING DEVELOPMENT GAINS FROM THE INTERNATIONAL TRADING SYSTEM AND TRADE NEGOTIATION”

SAO PAULO, 16 JUNE 2004

### **Assuring development gains from the International trading system and trade negotiation**

### **Policy options and strategies to support developing countries competitiveness in the most dynamic sectors of international trade**

#### Suggested talking points

Madam Chairperson,

Thailand would like to thank the two keynote speakers this morning for the very informative presentation of the important issues related to trade and development, which is the focus of today's discussions. We concur with the view that international trade is indeed important for development. However, in moving towards international trade liberalization goal, developing countries need to consider not only how to fully realize the gains from such liberalization, but at the same time, how to secure the country from an adverse impact of such liberalization process.

- The experience of the last few years has shown that globalization represents not only potential benefits, but also challenges that affect the economies of developing country. What is even more alarming is the pace and magnitude of these challenges, which make it difficult for developing countries to adjust to new issues. “Economies of scale” have given way to “economies of speed”, yet developing countries still have limitations related to financing and adequate knowledge to meet these new challenges.
- Developing countries need to better understand how to harness the potentials of international trade. Thailand remains firmly committed to the successful and timely conclusion of the Doha Development Agenda. We are pleased to see the resumption of the Doha Round negotiations in Geneva and the clearer sign of flexibilities shown by WTO members.
- A new trade round should comprise of concrete development-oriented outcome, and progress in liberalization, particularly in terms of quality. It is important that the Doha round of the multilateral trading negotiations focus on the areas of interest of developing countries such as agriculture, market access for exports from developing economies, liberalisation in movement of natural persons and transfer of technology.
- In addition, Thailand is of the view that regional, sub-regional and bilateral trade can complement the international multilateral system. Free trade agreements and sub-regional cooperation can be building blocks to strengthen the multilateral trading system, if designed and implemented correctly. For global trade to flourish, regional and bilateral free trade agreements must be consistent with WTO principles and help to advance trade liberalization.
- What is most important is that the issue of international trade must be addressed from the development perspective. This includes the principle of fair rules and regulations, flexible

policy alternatives related to the particular circumstances of each developing country, and assistance in the transfer of technology and information.

Madam Chairperson,

- Thailand has been fortunate to have achieved some success in its developmental history. I would like to take this opportunity to briefly share with you the important components of our national development strategy:
- The most important national strategy for our development is to pursue a Dual Track Policy which relies not only on international trade but also the development of domestic growth. Building on each country's inner-strength helps to insulate the country from external shocks and vulnerability. For Thailand, we chose to reinforce the productive sectors, enhance competitiveness of SMEs, provide funding and knowledge access for those less fortunate, and most important, generate higher real income for people at the grassroots level.
- In dealing with real income, the Thai Government has introduced rural-based schemes like the "One Village, One Product", which aims to bring traditional rural products to the international market place, as well as setting up "Village Funds" which help to support rural development products.
- Thailand views ICT as a tool to turn our local communities into a knowledge-based economy. It helps generate economic activities, including employment, and therefore growth. The Thai Government is pursuing an ICT for Poverty Reduction Programme, and establishing "community tele-centers" so that rural communities can have access to public phones, public fax and public Internet.
- In the international arena, Thailand continues to pursue a policy of attracting FDI for export promotion and pursuing trading package arrangements and linkages with both developed and developing economies.
- As a result of implementing the dual-track policy, Thailand's GDP grew 6.7 per cent in 2003, the second highest in Asia, despite the outbreak of SARS and bird flu. The projection for this year will be from 6-7 per cent despite higher fuel and production costs.

Madam Chairperson,

- On the role and contribution of UNCTAD, in our view, it is important for UNCTAD to continue contribute to global economic policy-making through an analysis of development strategies and development effects of policy options.
- Moreover, UNCTAD should carry out technical assistance, technical cooperation, capacity building and capacity development for developing economies in a coordinated and coherence manner. That means not only aiming at transferring the knowledge of developed countries to developing countries (i.e. capacity building), but UNCTAD should also guide developing economies to achieve a home-grown, endogenous knowledge of developing countries themselves (i.e. capacity development).
- In fulfilling its mandate, UNCTAD can provide capacity building and appropriate policy recommendations for developing economies through its organs like the International Trade Centre and the Bangkok-based International Institute for Trade and Development (ITD), which is a regional center and a model for reach-out capacity-building programmes.
- Areas of focus could include knowledge-based development as well as promoting niche markets for developing countries in areas such as traditional knowledge and bio-diversity resources.

- Developing countries' should identify their needs and interests as well as help laying out appropriate capacity building programs, which aim at poverty eradication, supporting quality growth and sustainable development.

Thank you.

## NEW ZEALAND

STATEMENT BY H.E. MRS. DENISE ALMAO, AMBASSADOR,  
EMBASSY OF NEW ZEALAND, BRASILIA.

I will begin by quoting UN Secretary-General Kofi Annan, who captures the essence of today's theme:

" No single change could make a greater contribution to eliminating poverty than fully opening the markets of prosperous countries to the goods produced by poor ones".

I have three key points to make.

First, that multilateralism and an effectively functioning rules-based system is essential for all - especially small and less powerful states.

As a small, open economy, New Zealand is of the firm view that multilateralism is the best way to ensure an equitable approach to sharing the gains from world trade. This is why we place such importance on the current round of WTO negotiations.

Second, that the Doha Round holds the promise of enormous gains for the case of development - particularly the reform of agriculture.

We believe that agricultural reform in the Doha Round is the key to achieving the biggest and most permanent benefits for all developing countries. The commitment at Doha to putting development at the heart of these negotiations will stand or fall by the outcomes on agriculture.

New Zealand sees real prospects that export subsidies will be eliminated once and for all. We welcome recent indications from several key WTO members that they are prepared to take this step. These are the most egregious of all trade distorting practices - and are rightly banned for goods other than agriculture. (With the elimination of agricultural export subsidies, developing countries will no longer have to contend with marketing their exports against unfair competition from developed countries' subsidized exports in depressed global commodity markets).

We are at a critical point in the DDA negotiations, as Dr. Supachai has pointed. Agreement on frameworks by July is vital to keeping the Round on track. Third, there are no "one size fits all" solutions – each country faces its own unique challenges for development.

New Zealand recognizes that many developing countries face special challenges in liberalising trade and realising their potential through reducing trade barriers. From our own experience we know that trade reform alone is not sufficient to strengthen a country's capacity to trade – support is needed to address these other economic and governance factors. We understand that liberalization that happens too quickly can be harmful, especially for the vulnerable net food-importing and least-developed countries. To take account of these hurdles, special and differential treatment needs to be a central part of any trade liberalization framework. New Zealand is a longstanding supporter of special and differential treatment provisions.

Development gains will come from effective participation in the international trading system and from further reforms through this present round of multilateral trade negotiations. The challenge is to spread these gains across all developing countries. This requires action at the international level and at the national level. Getting that balance right is the challenge for us all.

Thank you.

## ITALY

### STATEMENT BY MR. AMEDEO TETI, DIRECTOR GENERAL, TRADE POLICY, MINISTRY OF PRODUCTIVE ACTIVITIES

Mr. Chairman,

UNCTAD's most important goal is to assist developing countries in taking the greatest possible advantages from the trade, investment and development opportunities presented by globalization and liberalization, enabling them to fully integrate into the multilateral trading system.

I would like to emphasize Italy's special attention to the mutual relation existing between trade and development. First of all, the special and differential treatment within the WTO must be constantly improved to serve as the instrument supporting developing countries and, in particular, LDCs, in their efforts to gradually become full players in the international trade arena.

Looking into specific sectors, Italy attaches the greatest importance to the negotiations on the liberalization of trade in services, which is a vital sector for economic growth and infrastructure development in developing countries. For this reason we think that further progress within the WTO services negotiations is fundamental and can be achieved even by giving due consideration to the particular needs of developing countries.

We also think that UNCTAD has an indisputable role in studying the interrelations between trade and environment, in particular when developing countries are concerned. This is important to support developing countries in their effort to build their potential in terms of sustainable development.

The Doha Declaration reaffirmed the essential role of trade in fostering sustainable development and alleviating poverty. UNCTAD plays a part in the implementation of all initiatives meant to enhance the positive interrelation between trade and environment; one that, even for developing countries, gives priority to the fundamental objective of sustainable development.

There is clear evidence that the acceleration of economic growth in many developing countries has been achieved through a wider participation at the international trade. Exports have led the growth as happened in Italy the after the Second World War. Some current examples are given by the positive trend showed by China, Chile and India among others.

Unfortunately, the same pattern has not appeared in the least developed countries. It is clear that other, and stronger, instruments are necessary to make them more active in the international trade scene.

Italy, which is very sensitive to the urgent problems affecting LDCs, worked hard within the EU to obtain the complete liberalization of LDC-originating exports to the European Union. Today the so-called "Everything but Arms" Regulation that has allowed duty- and quota-free exports is a reality. On the other hand, the general commitment to a complete liberalization of the exports of LDCs' products, which was undertaken during the third LDC Conference in Brussels, should be implemented by other industrialized partners. Developing countries as well should consider the possibility of granting a substantially improved access to their markets to LDCs' products, depending on their level of importance.

Many of LDCs belong to the African continent. The economic growth of this continent must be the primary focus of UNCTAD attention in order to make Africa attractive to foreign investment and to favour an adequate influx of capitals by encouraging a greater involvement of the private sector. I would also like to stress the need to avoid duplications in the trade-related technical assistance programmes carried out by various international organizations while enhancing all possible synergies.

UNCTAD activity is a formidable opportunity to improve and rationalize trade-related technical cooperation programmes for developing countries. UNCTAD technical assistance should however concentrate on the areas in which this organization can enjoy comparative advantages and which can contribute the most to the full integration of developing countries in the multilateral trading system.

There are two sectors in which, according to our opinion, technical assistance should be particularly strengthened and improved: commodities and regional integration. The issue of diversification is one of great concern to developing countries given their heavy dependency on commodities. Production and export diversification substantially reduces the economic vulnerability of commodity-dependent developing countries and boosts their level of economic development. Eventually commodities have come back as one of the foremost issues on the UNCTAD agenda and we are glad of it. The European Union gave its contribution to the international debate on commodity dependency by drawing up an Action Plan to support agricultural commodity dependent developing countries. The plan has been recently adopted by EU Ministers.

Italy has often highlighted the role of diversification in the debate on commodity dependency. However a solution to this problem also encompasses the overall strengthening of the production capacity of developing countries, an increased competitiveness and consequently an improvement of product quality as well as a greater access to foreign markets.

We think that the structural dependency on commodities of developing countries may be eased by adding value to their local speciality products which may turn into important growth leverage. Diversification could be achieved through the valorization of the specific heritage which belongs to every country. The protection of this heritage is the first step to familiarize with all other intellectual property rights, covered under the TRIPs system.

Italy, which has a vast experience on quality food products especially those labelled with geographic indication, is ready to share such experience and to provide assistance to developing countries in all research and study activities and promoting actions regarding their local specialty products. This may develop a diversification of products that already exists in these countries. In our opinion GI's are, among the IPR tools, the easiest to implement and protect. They represent a "bridge" between industrialized and developing countries because both have the same possibility to protect and sell their own traditional products.

Regional cooperation, that is South-South cooperation, is an issue of the utmost importance for Italy. It can further the full integration of all developing countries in the international economic and trade system which is, even at the European level, a priority. Today this trading system has been concretely put into place thanks to the commencement of negotiations between the European Union and the ACP region aiming at the clinching of Economic Partnership Agreements.

Another area of technical cooperation where UNCTAD is undoubtedly recording some success is commercial diplomacy, the objective of which is to enhance the ability of developing countries to conclude trade negotiations. This programme covers two different, even though interrelated, aspects: the training of trade negotiators in developing countries and

the support for developing countries' institutions carrying out research activities in the area of international trade.

In conclusion, I would like to underline once again the importance of inter-institutional cooperation for the technical assistance programmes.

Being one of UNCTAD's major donor countries as to the financing of cooperation projects and activities in the field of international trade, Italy has always stressed the need for greater synergy, not only with WTO and ITC, but also with all other international organizations operating in the area of trade and development.

Thank you.

## CANADA

### CANADIAN STATEMENT TO THE UNCTAD XI INTERACTIVE THEMATIC SESSION "POLICY OPTIONS AND STRATEGIES TO SUPPORT DEVELOPING COUNTRIES COMPETITIVENESS IN THE MOST DYNAMIC SECTORS OF INTERNATIONAL TRADE"

BY MARK GAWN, CIDA REPRESENTATIVE AND HEAD OF DELEGATION

Thank you, Madam Chairperson. It is an honour for me to share with this distinguished audience some Canadian views on trade and development.

As many of you may know, with a vast territory and a relatively small population, trade is essential for economic growth and for maintaining the standards of living of Canadians. Canada, therefore, has a deep understanding of the value of trade for development.

Our experience indicates that trade is a more powerful engine of growth than aid. It generates more jobs and income and therefore raises standards of living. However, we believe that to be an engine of growth, trade needs to take place in a rules-based, fair and transparent global trading system that takes development needs into account. A rules-based system is beneficial not only for Canada but also, and most importantly, for developing countries.

It is with these ideas in mind that Canada is committed to and actively working for an ambitious outcome for the Doha Development Round. We firmly believe that a successful and ambitious outcome will provide the maximum potential for development and poverty reduction.

We believe that to make trade work for the poor, it is important that institutions, policies and capacities be developed. Trade related capacity building is key and Canada is committed to do its part. An effective private sector is needed to generate jobs and create wealth, but economic institutions that ensure a stable environment and services for the private sector are equally important. In this regard, I would like to reinforce the importance that others have placed on the recent Martin-Zedillo commission on private sector development. Also, pro-poor policies and programmes that take into account gender equality and environmental protection are needed to make trade an effective engine for growth and development.

We are pleased to see that UNCTAD is using this conference to promote debate and to explore links between trade and emerging themes such as gender equality, private sector development, information technologies, creative industries and especially policy coherence. We would like to encourage UNCTAD to continue researching, promoting debate and helping develop capacities that will enable governments and civil society alike to understand better the new issues arising in the relationship between trade and development.

A particular sector has emerged in recent years as a strong engine of productivity and growth in the global economy – the information and communications technologies or ICT. It is the cornerstone for building the e-economy, an economy increasingly relying on electronic communications and transactions. It is a fundamental factor shaping the 21st century, not just in developed economies but in every country.

Developing an international environment that will enable the growth of the e-economy in all countries, whatever their current level of development, poses significant challenges.

Facilitating trade in the e-economy is the first challenge. Not only do we need to continue to promote the removal of tariffs and other barriers to the movement of ICT goods across

borders, but more importantly, we need agreements that reduce obstacles to the movement of intangible goods and services that are traded electronically over ICT networks. Such agreements are likely to be as essential to the growth of the 21st century global economy, just as previous generations of agreements were essential to the growth of the industrial and services economies of the 20th century.

A second challenge is about building trust and confidence in the e-economy so that buyers – consumers and businesses alike – will feel confident that their privacy will be protected; their IP rights will be respected; and networks will be secure and robust.

As the e-economy spreads to developing countries, it is becoming critical to develop international frameworks and harmonized regulatory approaches for governing the e-economy. This challenge will be met only if a collective effort is made to build the capacity of developing countries to participate in the construction of this global framework.

In conclusion UNCTAD can play an important role in bringing together all countries, especially those with low resources, to help them understand better the links between trade and development by informing, researching and building capacities of governments and civil society. And those countries that have experience and expertise can play an important role supporting UNCTAD's work to help other countries to reap the benefits from integrating to the global trading system. It is with this understanding that Canada, through the Canadian International Development Agency (CIDA) and the Department of Industry, is supporting three events of importance such as the trade and gender equality high-level interactive round table, the UNCTAD Virtual Institute that will be launched at this conference, and the ICT for Development Partnerships that UNCTAD is announcing here this week.

In closing, we would like to congratulate UNCTAD for organizing this Interactive Thematic Session. I am confident that at the end of this conference UNCTAD XI will have helped all of us understand better both the developmental dimensions of trade policy and the trade dimensions of development strategies.

Thank you.

## NEPAL

### INTERVENTION BY H.E. GYAN CHANDRA ACHARYA, AMBASSADOR OF NEPAL AT THE MINISTERIAL LEVEL DISCUSSIONS ON ONE OF THE SUB THEMES OF THE UNCTAD XI HELD IN SAO PAULO, BRAZIL (JUNE 2004)

- This particular sub theme of the Eleventh Session of UNCTAD assumes special significance to all. Assuring development gains from international trading system means a broad and secure growth based on meaningful international trade for the vast majority of the developing countries and those from the least developed countries. Trade must translate into development gains to be relevant to the people and to reduce the debilitating poverty around the world. For an LDC country, we could attain our objective of meaningful integration in this post liberalization phase with the following measures.
- A secure and effective market access and effective market entry for the non-agricultural products supported by an enhanced level of their productive and supply capacity through various measures including a stronger international development assistance programme are essential. They are all interrelated and they reinforce each other. Market access will have no value, if that is not being fully utilized either due to non-tariff barriers or the supply-side constraints.
- The opening of the agriculture sector lies at the heart of the success of the current round of WTO negotiations. As the majority of the people in the poorer countries live in the rural areas, their livelihood depends very much on how the agriculture issue is managed in the international trade negotiations and on the opportunity they provide and the livelihood they continue to ensure for them. And its liberalization with a view to supporting the poor farmers in the least developed countries will hold great promise for poverty alleviation. This would be a clear and direct development gain from international trade.
- Similarly, the liberalization of the market access for Mode 4 will result in a clear welfare gain as well as an economic gain for all. There is a win-win situation for all the stakeholders in its early liberalization. Various studies have shown that allowing in 3 per cent of the total work force of the developed countries alone would result in the gains of about US\$ 150 billion annually. Those benefits go to both the developed and developing countries. Therefore this area must receive priority attention in the current round of negotiations, if we want to see development gains from trade.
- The erosion of the margin of preference has further exacerbated the scope of meaningful trade for the LDCs, which have to depend upon one or two products for exports. There has to be an effective mechanism to deal with this issue together with other effective measures such as secure and simplified rules of origin. Similarly the liberalization of the textiles and clothing sector, in the context of the end of ATC from next year, is going to create losers and winners. For LDC countries like ours, there is likely to be a severe impact. Therefore arrangements for smooth transition to the new situation by enhancing their competitive strength through various supportive measures would be indispensable to face the new challenges by the LDCs.
- Similarly, if we look at the FDI, there is a tendency to go it more, where there is already more. LDCs and low income countries have only a meagre share of total FDI flow, which is compounded by a very low level of domestic saving. Therefore home country measures are also necessary in the developed countries to improve the flow of the FDI into the low-income countries, so that the transfer of technology and productive capacity could both be enhanced in the long run.

- In conclusion, there is an age-old saying that we should not put all our eggs in one basket. If we look around, yet we all see that all the LDCs have either a single commodity or at best two commodities on which their exports depend. Let me stress here that it is not by choice that they have a limited export base. It is a compulsion. Diversification is key to the successful integration of the LDCs, besides a secure and predictable market access for their products. These are the areas in which we would like to have a strong and clear commitment and contributions from the developed countries in a true spirit of global partnership. If we do not have a clear commitment of the international community in support of the national development efforts of the LDCs, there is a clear danger of these countries facing deindustrialization, rising unemployment and huge adjustment cost, which I am sure no one would like to see grow in the already volatile world of today.

Thank you.

## VENEZUELA

INTERVENCIÓN DE LA EMBAJADORA DE VENEZUELA EN GINEBRA,  
BLANCANIEVE PORTOCARERO.

SESIÓN TEMÁTICA INTERACTIVO: OPCIONES Y ESTRATEGIAS EN MATERIA DE  
POLÍTICAS PARA PROMOVER LA PARTICIPACIÓN DE LOS PAÍSES EN  
DESARROLLO EN LOS SECTORES NUEVOS Y DINÁMICOS DEL COMERCIO  
MUNDIAL MIÉRCOLES, 16 DE JUNIO DE 2004. 15H00

Gracias Señora Presidente,

Evidentemente, después de haber oído las intervenciones de los jefes de Estado en la mañana de hoy, y posteriormente a los Ministros cargados de indicadores que revelan el desequilibrio mundial, tendríamos que aceptar que estamos atravesando una encrucijada civilizatoria de nuevo tiempo donde la sabiduría, las costumbres, la vivencia de las tradiciones culturales de la gente, es más útil que el conocimiento conocido para redimensionar la sinergia del desarrollo que todos necesitamos.

La mundialización, independientemente de nuestra voluntad, esta dejando atrás el concepto lineal y hegemónico de la relación de mercado que no solo, niegan el carácter global del desarrollo, sino que nos priva de disfrutar la riqueza de la unidad de los diverso de un mundo que necesariamente es circular, dinámico, interactivo e interdependiente, donde todos y todas no solamente somos necesarios sino importantes relativos.

Profundizar y ampliar la coherencia entre las estrategias nacionales de desarrollo y los procesos económicos mundiales en pro del crecimiento económico, tema central en el marco de esta Conferencia, y de nuestras propias aspiraciones desafían la comprensión para entender la configuración de un mundo multipolar y justa que sea capaz de atender la preocupación fundamental de nuestros países y facilitar opciones y estrategias en materia de políticas que permitan a los países en desarrollo participar con éxito en los sectores nuevos y dinámicos del comercio mundial. Necesitamos entonces ser más humildes para aprender de la riqueza creativa que gratuitamente nos aportan los pobres.

Para ayudar a que los países con menores oportunidades se incorporen a este proceso, es necesario el financiamiento externo, un financiamiento que no agregue compromisos alas viejas y nuevas deudas, sino que sean una inversión extranjera directa, comprometida con la asistencia al desarrollo bajo condiciones suficientemente flexibles y compatibles con las posibilidades y realidades endógenas de nuestros países.

Ganar competitividad y sostenerla en el comercio internacional, significa ser capaces de modificar la estructura productiva de nuestras economías mediante la incorporación de tecnología y la creación de capacidad innovadora, tanto en infraestructura como en recursos humanos.

Para ello se requiere una cooperación solidaria, útil y oportuna.

En este sentido, la transferencia de la tecnología y la capacidad de internalizarla y adecuarla a los procesos productivos, es clave para lograr la incorporación estratégica de los países en desarrollo al comercio internacional y a la oferta de servicios de estos sectores dinámicos.

Esta transferencia tecnológica debe hacerse respetando la tradición cultural y la sabiduría autóctona de sus pobladores.

Dentro de todo este contexto, la conceptualización de reglas comerciales tanto a nivel multilateral, regional y bilateral, debe incluir de manera rigurosa, la dimensión de desarrollo, ello requiere contar con la flexibilidad necesaria para adoptar medidas de políticas productivas dirigidas a modificar los patrones de comercio, sustituir progresivamente las exportaciones de productos básicos por productos de mayor valor, en un espacio legítimo de competitividad sustentable y oportuna.

Es necesario entonces, reconocer la legitimidad espacial del mercado de los pobres con sus propias condiciones. Esto es particularmente relevante para las Pequeñas y Medianas Empresas, incluso para las micro-empresas, que constituyen la fuente fundamental de empleo en nuestros países, y que podrían incorporarse a esas redes suministrando sus bienes y servicios de una manera justa y equitativa.

# INTERNATIONAL MONETARY FUND

## REMARKS FOR DELIVERY AT UNCTAD XI

### SESSION ON "ASSURING DEVELOPMENT GAINS FROM THE INTERNATIONAL TRADING SYSTEM AND TRADE NEGOTIATIONS"

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Mr. Chairman, distinguished Participants,

I am grateful for the opportunity to address this Conference today. UNCTAD XI comes at a crucial time for the Doha Development Agenda. It offers a welcome chance to take a step back from the constraints of the negotiating environment and examine the broader purpose of the Round.

Lowering barriers to trade, within a multilateral framework of reciprocity and rules, has been central to the expansion in global trade and prosperity in the past half century. It has contributed to lifting more people out of poverty than at any time in history. The Doha Agenda presents an opportunity to deepen this process, to maintain and accelerate growth, and to spread its benefits more widely.

Despite the broad consensus on the development potential of trade, which was expressed at Doha, in Monterrey, and in Johannesburg, the public debate continues to highlight differences over how best to realize that potential.

Some emphasize the barriers that many rich countries continue to maintain against developing country exports. These barriers are indeed harmful – including to the countries that erect them – and hard to reconcile with public commitments to poverty reduction. Others point to the benefits of trade reforms for those countries that undertake them, emphasizing that trade liberalization is its own reward. They also underline the tremendous potential for greater trade among the developing countries, which is hampered by barriers that are even higher than those in industrial country markets.

These two visions let me call them market access and trade integration should not be understood to be competing expressions of the development dimension of the Doha Round. In designing a multilateral trading system that offers maximum support for development, the objective should be to realize them both. We need a decisive break with trade policies that hurt economic development. Donors cannot provide aid to create development opportunities with one hand and then use trade restrictions to take these opportunities away with the other. And developing countries have an important responsibility in using the multilateral system to promote better integration among themselves and with the global economy.

If countries are reap the benefits of trade there is also a need for complementary action. On the supply side, this means investments in infrastructure necessary to ensure that the products of the poor can reach global markets, institutions that do not artificially raise transaction costs and, in the longer run, investments in education. It means policies to safeguard the interests of the most vulnerable in society. And it means ensuring an orderly macroeconomic framework and an economic environment supportive of adjustment. National strategies for development and poverty reduction can represent a focal point for developing integrated and participatory

approaches to meeting these challenges. But many countries will require financial and technical assistance in implementing them.

The IMF's management has repeatedly emphasized that the Fund stands ready to play its part. Let me highlight four ways through which the IMF proposes to support countries in furthering their integration into the multilateral trading system.

First, through Fund surveillance. Following the Doha Declaration, the Fund's Executive Board underlined the need for stepped-up surveillance of trade policies, especially in industrial countries whose policies are of fundamental importance for the world trading system as a whole. We now have a track record of frank dialogue with our members about trade, both in the context of bilateral surveillance and through multilateral instruments such as the World Economic Outlook.

Second, through financial support. The IMF is fully committed to assisting members that face external payments imbalances in finding the appropriate mix of adjustment and financing. In April, the Fund's Executive Board moved to provide additional assurances to members by approving the Trade Integration Mechanism, or TIM. The TIM is a policy directed at the possible balance of payments impact of liberalization by other countries, agreed in the context of the WTO or implemented unilaterally on a non-discriminatory basis. Under the TIM, the IMF stands ready to support members in identifying the nature and size of these shocks, in designing appropriate adjustment policies and provide financial assistance to help address any related balance of payments problems.

Let me emphasize that, having analyzed the implications of third-country liberalization, we expect such difficulties to be temporary where they arise, and we do not expect them to be widespread. Nevertheless, there may be adjustment pressures in some countries that currently enjoy privileged market access as a result of preference schemes, especially for sugar and bananas, whose ability to compete with other developing countries in textiles markets following the scheduled termination of MFA quotas is in doubt, or whose food terms of trade may deteriorate due to reductions in export subsidies. A solution has to be found for these countries, without damaging the opportunities for the many others. The TIM is meant to address part of this problem, by giving affected countries an additional option in dealing with this situation, while allowing developing countries as a whole to reap the benefits of improved conditions for their exports.

The third way through which the IMF continues to provide support is technical assistance. Technical assistance and capacity building are crucial aspects of the Doha Development Agenda given the increasing complexity of the trade talks and policy, administrative, logistical and other constraints on trade that can limit the supply response. In the areas of its expertise, the Fund contributes actively to the Integrated Framework process, together with UNCTAD and other agencies. A number of developing country delegations have also drawn attention to the expected loss of fiscal revenue from tariff reductions. The erosion of tariff revenues depends on characteristics of the tariff and customs regimes and can often be contained by other fiscal measures, such as eliminating exemptions, improving the administration of tariffs and taxes, and strengthening domestic taxation. It has been a long-standing part of the Fund's technical assistance efforts for our experts to provide assistance in helping to rebalance revenue systems and in strengthening customs administrations. Fund management has emphasized its willingness to further increase this assistance, in line with our members' priorities.

And finally, we provide targeted support through research. Fund staffs have prepared studies of preference erosion, balance of payments safeguards, export credit, the fiscal revenue implications of tariff reform, and exchange rate volatility and trade, specifically in response to concerns expressed at the WTO. We intend to continue providing such support as needed.

And let me mention that, in many of our studies in the trade area, we benefit enormously from UNCTAD's analyses and data.

Mr. Chairman, working together the international community has an opportunity through more open trade policies to promote development and help the world's poor. Financial uncertainties linked to reform should not have to deter WTO members from engaging fully in the Doha process. This is where the IMF intends to play its part.

Thank you very much.

## THIRD WORLD NETWORK

Mr. Martin Khor's verbatim statement at UNCTAD XI  
on Assuring Development Gains

The Third World Network is very grateful to be given the opportunity to say a few words on this theme on assuring development gains from trade.

Trade has two major aspects; exports and imports. Assuring gains would require proper conditions and appropriate policies, at international and national levels, for both exports and imports of developing countries. It is important that they attain a proper balance between imports and exports.

It would be excellent if developing countries could increase their export earnings as a method for achieving growth and development. However, many developing countries are facing constraints to their exports because of their limited supply capacity, protectionist barriers including high tariffs and subsidies in the Northern agriculture sector, and a proliferation of non-tariff barriers.

Trade facilitation is now being discussed in the WTO. For this concept to be meaningful for developing countries, it should first and foremost stress the facilitation of developing countries to export. For example, most developing countries require simple infrastructure such as storage facilities for farmers' surplus crops, and rural roads to bring the surplus to the domestic urban market and to the ports for export. We therefore propose that this should be the first priority in the trade facilitation discussion, that is, the facilitation of exports of developing countries, especially their small producers.

Even when developing countries have increased their exports, this has often not been to their benefit. For example, many developing countries have expanded the volume of their exports. But since these are commodities that are facing over supply, this expansion has exerted downward pressure on the export price and the developing countries have suffered very significant real income loss due to terms of trade decline.

In the area of imports in the meanwhile, because of tariff reduction caused by structural adjustment loan conditionalities of the international financial institutions, and WTO rules, many developing countries have experienced significant increases in their import bill which have been at higher rates compared to the small increases in their export earnings. UNCTAD studies, for example in the Trade and Development Report 1999, show that export growth has lagged behind import growth in developing countries in general, leading to a significant widening of their trade deficit.

For these developing countries, there have been trade imbalances, a widening of the trade and current account deficits and the worsening of their debt situation. This condition is not sustainable for a large number of developing countries.

We therefore need a trading system that is sensitive to the needs of developing countries and that does not place obligations on them to liberalize their imports at rates that are unrealistic and which adversely affect the products of local industries or farms or cause them to close. The trading system needs to enable policy flexibility and policy space for developing countries to liberalize their imports at rates and in sectors at which the local producers can handle competition. Likewise, the international financial institutions should have realistic loan conditionalities, instead of forcing the borrowing developing countries to undergo "big

bang liberalization”, which in the past has caused many problems. The trading system should also enable products of developing countries to have access to the rich countries’ markets. If this happens, then the external environment would be more favourable to assist developing countries to correct the imbalance between imports and exports. At the very least the outcome of the present negotiations in the WTO should not worsen the present trade imbalance suffered by most developing countries.

The Doha Declaration has stated that development and the interests of developing countries will be at the heart of the Doha work programme. This is very welcome. For this goal to be realized, the Doha programme has to address this problem of excessive imports into many developing countries and too little export earnings for them.

Although the Doha Declaration of November 2001 in words places development concerns in its centre, in reality what has happened since then has been the downgrading and marginalization of the “development issues” of implementation and special and differential treatment. The original deadlines for resolving these issues by 2002 have not been met, and neither have new deadlines. After the Cancún Ministerial, they fell off the radar as they were not selected as part of the four issues requiring priority attention. Developing countries look to the resolution of these “development issues” as key to correcting some of the shortcomings and imbalances in the WTO agreements. These issues must be given top priority again, especially in the “July package”. There is indeed a real danger that implementation and SDT will fall even lower down the agenda or even drop out altogether.

In agriculture, the problem is well known, of how high subsidies and high tariffs in the North prevent the developing countries from having market access. However, even more attention should be paid to the problem of how loan conditionalities and the WTO agriculture agreement have pressured developing countries to lower their agricultural tariffs, leading in many countries to import surges of several products, which are threatening the markets and livelihoods of the small farmers. The applied tariffs in many countries are too low in many developing countries as a result of structural adjustment and conditionalities make it difficult for them to exercise the flexibilities allowed by the WTO to raise the applied rates nearer the bound rates. There is now a new threat that the present negotiations will oblige developing countries to significantly reduce their agricultural tariffs further. This is especially if a non-linear formula or a tiered linear formula (both requiring higher tariffs to be cut by a higher rates) is applied to developing countries. Such an approach will cause the bound rates to be brought down closer to or even lower than the present applied rates, thus removing the available flexibilities and permanently hinder the ability of developing countries to protect their small farmers. This is especially inappropriate if high domestic subsidies and high tariffs are maintained in developed countries. There will then be a lethal combination of lowered tariff in the developing countries and continued high subsidies in the North. Small farmers that are more efficient in some developing countries would then have their markets and livelihoods damaged by cheap (because subsidized) imports from less efficient farmers. The WTO negotiations should not result in such an ironic and unfair outcome. The July package should therefore effectively curb both export and domestic subsidies in the rich countries, whilst allowing developing countries to maintain at least the present flexibilities in relation to tariffs, and establishing new mechanisms such as special products and a special safeguard mechanism to deal with import surges.

On non-agriculture market access (NAMA), the developing countries face an equally tough if not tougher challenge. Many developing countries have been experiencing de-industrialisation, or the closure or reduction of business of local industries, due to excessive import liberalisation of industrial products, largely resulting from loan conditionalities. This de-industrialisation process may soon accelerate and spread to more developing countries, if the present trend in NAMA negotiations continue. There are strong pressures from the industrialised countries to: (a) oblige developing countries to bind almost all their tariffs; (b)

to drastically lower their industrial tariffs generally through a non-linear formula (where higher tariffs are cut by higher rates); and (c) to have fast-track elimination of tariffs in several sectors. Such an approach would be counter to the Doha exhortation to place development at the centre of the Doha programme. Thus, in the future NAMA negotiations, the developing countries must fight to maintain the policy flexibilities that previous Rounds allowed them to maintain, including the flexibility to choose which tariffs to bind, which tariffs to reduce and at what rates. At most, the Uruguay Round approach should be followed, i.e. that a target be set for developing countries to reduce their bound tariffs by an overall average rate (the Uruguay Round target was around 27 per cent).

Finally, a critical decision will have to be made whether or not to expand the mandate of the WTO to new areas, i.e. the “Singapore Issues” of investment, competition, transparency in government procurement and trade facilitation. The first three of these are not even trade issues and it is inappropriate for a trade organisation like the WTO to establish new treaties on such issues. Principles such as national treatment and pressures towards rapid liberalization that were developed in the context of trade in goods may not be and in fact are not suitable to be applied to the three non-trade issues of investment, competition and government procurement. Treaties on these subjects along the lines advocated by the proponents would severely curtail the policy space required by developing countries to choose between various policy instruments to meet their development goals. Most developing countries have opposed the introduction of negotiations on these issues and at the Cancún Ministerial Conference, the major proponent (the European Union) had offered to drop two and even three of these Singapore issues from the WTO agenda. It would be a great relief if at least the three non-trade Singapore issues are dropped from the WTO agenda as an outcome of the July package. This will enable the members to focus their attention on the existing WTO issues, and it will eliminate the most contentious issues that have split the organization for so many years. As for trade facilitation, although it is a trade-related issue, it is also not appropriate to establish new binding rules that oblige developing countries to allocate considerable amount of their scarce resources to facilitating faster clearance of imports, as many of these countries may want to allocate their limited funds to more pressing issues. Any guidelines that may emerge should be balanced, and not bind developing countries to commit to measures which they are unable to implement due to lack of capacity, resources or inappropriateness.

In conclusion, the next phase of negotiations in the WTO will be crucial in determining whether the Doha programme will live up to its development promise. For that to have a chance, (i) the development issues of implementation and special and differential treatment have to be restored as high-priority issues that should in fact be resolved first; (ii) the frameworks for modalities for agriculture and NAMA have to be oriented to development concerns and should not oblige developing countries to have further excessive import liberalisation; and (iii) a decision should be made to drop at least the three non-trade Singapore issues from the Doha and the WTO agenda.

We hope that the discussions at this session on assuring development gains from trade for developing countries will contribute towards this direction in the future negotiations in the Doha programme. It is important for the UNCTAD secretariat to continue and expand its research and technical assistance work on the Doha programme and on the multilateral trade system in general, and that UNCTAD continue to be a forum where delegations and NGOs can meet to have discussions on the trading system.

Thank you.