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**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS
FIFTIETH SESSION**

Held at the Palais des Nations
from 6 to 17 October 2003

Rapporteur: Mr. François Leger (France)

Speakers:

Secretary-General of UNCTAD

Director of DITC

Thailand for the G77 & China

Italy for the EU and acceding countries

European Community

Oman for the Asian Group and China

Barbados for GRULAC

Zimbabwe for the African Group

Benin for the LDCs

Egypt

Japan

India

Pakistan

South Africa

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments to statements by individual delegations should be communicated by **Wednesday, 22 October 2003** at the latest, to:

UNCTAD Editorial Section, Room E.8108, Fax No. 907 0056, Tel. No. 907 5656/1066.

REVIEW OF DEVELOPMENTS AND ISSUES IN THE POST-DOHA WORK PROGRAMME OF PARTICULAR CONCERN TO DEVELOPING COUNTRIES

(Agenda item 5)

1. For its consideration of this item, the Board had before it the following documentation:

“Review of developments and issues in the post-Doha work programme of particular concern to developing countries – The outcome of the Fifth WTO Ministerial Conference: Note by the UNCTAD secretariat” (TD/B/50/8).

2. The **Secretary-General of UNCTAD** said that there was no substitute for the multilateral trading system in bringing about open and non-discriminatory trade. That system protected against arbitrariness and guaranteed fairness and non-discrimination for developing countries in their trade relations. Developed countries needed the multilateral trading system too, since they were seeking to engage the developing countries in trade liberalization and openness, so that their economic operators could trade and invest with greater freedom and security across borders. Both developing and developed countries were involved in regional and bilateral trade agreements, but the multilateral trading system delivered more comprehensively on their respective trade agendas.

3. The Doha Conference had been a milestone in the evolution of the multilateral trading system, incorporating an explicit pledge in the Doha Work Programme to align the system to better serve the needs of developing countries. The realization of that core agenda was in the shared interest of all countries and the world economy. Trade flows between developed and developing countries were becoming increasingly significant, and the role of developing countries in stimulating world trade was increasing. Furthermore, developing countries constituted a vast reservoir of untapped demand whose potential could be realized if trade negotiations and supply capacity building in developing countries were pursued simultaneously. This would involve developing and strengthening physical, social and trade-related infrastructure, supply capacities and competitiveness in these countries.

4. The impasse at the 5th Ministerial Meeting of the WTO in Cancún should not be seen as a destination missed, but only as part of a journey, and the right lessons should be drawn in order to move forward. It would be important to concentrate on core issues of the Doha mandate, including the development agenda; inclusiveness, transparency and democracy in negotiating processes and decision-making; the basics of trade liberalization; completing the unfinished business of the previous rounds, especially in agriculture, textiles and Mode 4 in services; addressing the legitimate concerns of developing countries on new issues on which no consensus existed for new WTO disciplines; provision of adjustment support; addressing coherence between trade, financial, monetary and technological policies; taking into account the multiple issues involved in the interface between trade, development and globalization, such as poverty, environment, health, culture, gender, migration, food security and rural development, competition, technology, enterprise, employment and public interest; and providing concrete assistance to developing countries.

5. UNCTAD was committed to the multilateral trading system and its development agenda. It played a complementary role in relation to the Doha Work Programme through research and policy analysis, intergovernmental consensus building, and technical assistance and capacity generation activities. It had constantly helped to achieve the development goals of the international trading system, and it provided a forum for advancing dialogue on a development-friendly interface between trade and other issues and helping developing countries acquire greater faith in the ability of the trading system to deliver development gains by enhancing their productive capacities.

6. The **Director of the Division on International Trade in Goods and Services, and Commodities** said that the secretariat's note provided an analysis of developments in the post-Doha work programme, focusing on the outcome of the Fifth WTO Ministerial Conference, and took into account the Board's interaction with the Economic and Social Council.

7. The representative of **Thailand**, speaking on behalf of the **Group of 77 and China**, affirmed the Group's commitment to achieving a truly open, equitable, rules-based, predictable and non-discriminatory multilateral trading system, as identified in the Millennium Development Goals. The Doha Work Programme must be expedited with a view to achieving development-friendly results in agriculture, TRIPS and public health, implementation issues, special and differential treatment, market access for non-agricultural products, textiles, services, particularly economically meaningful offers in Mode 4, small economies, erosion of preferences, LDCs, and accession to the WTO. The Cotton Initiative and the commodities initiative were also priorities. A successful and development-friendly conclusion of the Doha Work Programme would significantly enhance the confidence of developing countries in the multilateral trading system, and would in the long run benefit the developed countries also. The setback at Cancún afforded an opportunity to undertake an in-depth assessment of the Doha Work Programme and generate the political will needed to move forward and put the Programme back on track. Convergence would require new consensus, renewed cooperation and constructive engagement. The Group of 77 and China supported modalities for agricultural and non-agricultural negotiations with comparable levels of ambition, taking into account developing countries' interests and providing for special and differential treatment. They sought an equitable trading system that took into account their inherent difficulties and complexities, including through concerted international efforts that addressed those difficulties and was responsive to their interests. There was a need to reflect on the manageability of the Doha Work Programme and ultimately of the WTO, and the development dimension must be reflected fully in any consensus developed

8. With regard to the secretariat's note, at its next session the Board should assess progress in the Doha Work Programme towards meeting the development benchmarks identified in the Note. UNCTAD had an important role to play in facilitating North-South consensus on the multilateral trading system, identifying approaches to trade and development issues that provided balanced benefits, and assisting developing countries in their preparations for multilateral trade negotiations and in formulating national trade policies. The international community needed to provide the financial resources required by

UNCTAD to support developing countries. UNCTAD's leadership role on the issue of commodities in the UN system should be continued. UNCTAD also provided important support for South-South cooperation, including through administration of the GSTP, which had vast potential for furthering South-South trade. In this context, UNCTAD was invited to contribute to the Ministerial Conference of the Group of 77 and China to be held in Marrakech in December 2003. The Group of 77 and China attached particular importance to General Assembly resolutions 57/270 B and 57/250, which invited UNCTAD to contribute to the implementation and review of progress made in the implementation of the outcomes of major UN Conferences and summits, including at the High-level Policy Dialogue on the implementation of the Monterrey Consensus on 30 October 2003. The Group had great expectations that UNCTAD XI would be an occasion to renew and reinvigorate UNCTAD as the focal point within the United Nations for the integrated treatment of trade and development. An integral aspect of that mandate related to international trade and trade negotiations.

9. The representative of **Italy**, speaking on behalf of the **European Union and the acceding countries (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia)**, said that the EU had been at the forefront of efforts to promote trade negotiations centred on development. The Doha Ministerial Declaration had started the process of active participation of developing countries in a multilateral trading system that would integrate their needs and interests into trade negotiations and fulfil the Millennium Declaration goal of an open, equitable, rule-based, predictable and non-discriminatory trading system. The EU welcomed the role that UNCTAD, as the focal point within the United Nations for the integrated treatment of trade and development, could play in clarifying issues and building consensus through its policy analysis, intergovernmental deliberations, and capacity building activities designed to strengthen institutions and human resources of developing countries for development of sound trade policies.

10. The representative of the **European Community** said that, while the EU was one of the main driving forces of the Doha Development Agenda, it was deeply disappointed by the lack of an outcome in Cancún. Positive decisions of interest to developing countries had been taken prior to Cancún, such as the accession of Cambodia and Nepal and the decision on paragraph 6 of the Doha Declaration on TRIPS and public health. The failure of Cancún could undermine multilateralism, the commitment to an open, rule-based trading system, and achievement of the objectives set for negotiations, including further integration of developing and least developed countries into the global economy. This failure and delay could only play into the hands of countries and interests that preferred protectionism, unilateralism and bilateralism to controlled liberalization and a multilateral approach within the WTO.

11. UNCTAD should focus on trade-related technical assistance and capacity building in the developing countries, in coordination with other relevant international agencies and bilateral donors. UNCTAD's important role could focus on helping individual countries to develop their regulatory, legal, juridical and institutional capacity, and mainstreaming trade into developing countries' national development and poverty reduction strategies and policies. UNCTAD XI would provide an opportunity to review issues in the fields of commodities and

South-South regional integration. With regard to the proposal on cotton by four African countries in the context of commodities, many developed countries, including the EC, had supported it within the broader context of agriculture negotiations.

12. Concerning the substance and the process of negotiations, the EC needed to verify within its own constituency how far its overall strategy remained valid after Cancún. It would do so from the perspective of a strong commitment to a rules-based multilateral system and a conviction that the system was able to deliver benefits to all countries, especially the LDCs. The major problem was that WTO had a very effective enforcement system but followed a rudimentary decision-making process, and problems would arise if greater reliance was placed on the dispute settlement mechanism than on rules. The greater assertiveness of developing countries and their groupings within the WTO was applauded, but he warned against falling back into North-South rhetoric. The concerns of various developing country groups on market opening, special and differential treatment, technical assistance and capacity building had to be addressed on the understanding that one size did not fit all. Many developing countries were facing real bottlenecks outside the realm of WTO, for example supply-side constraints, which should be addressed at UNCTAD XI.

13. The representative of **Oman**, speaking on behalf of the **Asian Group and China**, said that it would be wrong to be disheartened by the outcome of Cancún. An important lesson was that transparency should remain at the core of WTO processes and the multilateral trading system, ensuring participatory deliberations and negotiated outcomes that reflected all views. In addition, in retrospect, expectations concerning the Cancún agenda appeared to have been excessive, and the package proposed at Cancún had been disappointing in terms of development content. Furthermore, the WTO negotiating paradigm had changed, with developing countries demanding to be heard and China emerging as the second largest market in the world. This could not be ignored.

14. For most of the developing world, agriculture remained a key issue. Millions lived below the poverty line and depended upon farming activities for their livelihood, while facing the negative effects of trade-distorting measures taken by developed countries, including subsidies. The implementation of the Doha mandate on agriculture was a priority, and the proposal made by the Group of 22 at Cancún remained on the table. With regard to non-agricultural market access, developing countries must be accorded less than full reciprocity in their tariff reduction commitments. In addition, tariff peaks and escalation had to be adequately addressed. In the area of services, the quality of initial offers had raised concerns, especially regarding market opening for Mode 4, which was particularly important in addressing poverty in developing countries. The issue of emergency safeguard measures remained a priority. With respect to the Singapore issues, they should be dropped from the WTO work programme so that efforts could concentrate on core trade issues. The fact that the EC had agreed to drop three of the four Singapore issues showed that it shared the Asian Group's perception of the lack of potential gains from these issues. As regards LDCs, particular emphasis had to be given to their special needs, including through binding quota-free and duty-free access to developed country markets.

15. UNCTAD had an important role to play as a consensus-building forum, and its analytical work and technical assistance and capacity building programmes on trade negotiations for developing countries should continue. The international community should provide enhanced financial support to UNCTAD for such capacity building programmes.

16. The representative of **Barbados**, speaking on behalf of the **Latin American and Caribbean Group**, said that Cancún had to be seen as an important signpost in the ongoing process of multilateral trade negotiations. There was an increasingly complex trading environment that had brought into being new alliances, demands and growing tensions. A key lesson from Cancún was that the multilateral trading system was increasingly being perceived as an international public good. Consequently, it had to take into account the interests and concerns of all participants, regardless of their level of development, size or share of world trade. The development dimension must be restored to the core of the Doha Work Programme.

17. Latin American and Caribbean countries had been in the frontline of trade reform and the revitalization of subregional and regional integration processes. However, the benefits expected from trade liberalization had not become a reality. Free trade must yield concrete results and contribute in a tangible way to economic development and poverty alleviation. Also, care must be exercised to ensure and maintain coherence between multilateral processes and regionalism. In addition, a situation whereby multilateralism was shunned in favour of bilateralism or regionalism must be avoided by all means. There was a wide and growing consensus in the region regarding the need for substantive and commercially significant market access for developing countries in the agricultural, industrial and services sectors. Real reform of agricultural trade was necessary, and the liberalization of agricultural trade could bring important gains for developing countries. The elimination of all forms of export subsidies and substantial reductions in trade-distorting domestic support for agricultural trade would promote development in developing countries and significantly contribute to poverty alleviation. The Latin American and Caribbean Group was confident that, through renewed cooperation and constructive engagement by all parties, convergence on the reform of agricultural trade was possible. Market access must be coupled with special and differential treatment, specific measures for small economies, and adequate measures for net food-importing developing countries and LDCs.

18. Trade in services had emerged as a growth sector for the region, and the movement of natural persons brought important gains. A key issue was mandatory, effective and operational special and differential treatment, along with the provision of required policy space for implementation of national policies. Equally important was the effective resolution of implementation-related issues to redress some of the asymmetries resulting from the Uruguay Round. The system should not be overloaded with new issues and agreements.

19. The work carried out by UNCTAD on international trade negotiations generally and on the multilateral trading system in particular, including the Doha Work Programme, was extremely important, as was its work on subregional and regional trade negotiations, as well as on wider South-South trade cooperation. UNCTAD's analytical work and technical assistance had contributed to a better understanding of the issues in the Doha Work

Programme and had thus facilitated proactive participation in the negotiations. Donors were therefore called upon to increase their financial contributions to UNCTAD's technical assistance programme on trade negotiations.

20. The representative of **Zimbabwe**, speaking on behalf of the **African Group**, stressed that the African countries were committed to a credible multilateral trading system that would serve the interests of all its Members. Their commitment was underscored by the fact that they had endorsed the Millennium Development Goals, which included an open, equitable, predictable and rule-based multilateral trading system. Under the NEPAD programme, African countries had undertaken market access initiatives and extensive structural adjustment and economic reform programmes, including trade liberalization through reduction and simplification of tariff structures. African trade was being further liberalized through the subregional economic integration processes that would constitute pillars of the eventual African Economic Community under the African Union. In the context of the ACP-EU Cotonou Partnership Agreement, African countries were negotiating with the EU a series of economic partnership agreements that would remove and reduce tariffs and non-tariff barriers to external trade.

21. African countries had high expectations with regard to the development promise of the Doha Work Programme, and they welcomed the decision taken on paragraph 6 of the Doha Declaration on TRIPS and Public Health. However, the temporary solution must be translated into a permanent one through the revision of the TRIPS Agreement. The African Group also welcomed the modalities for special treatment of LDCs in negotiations on services, the modalities adopted in December 2002 for accession of LDCs, and the accession of Cambodia and Nepal. The important challenge ahead lay in the effective application of these instruments.

22. UNCTAD should continue to perform its role as an effective facilitator of Africa's beneficial integration into the multilateral trading system and world economy. Given the setback experienced in Cancún, there was a greater need for strengthened support by UNCTAD in the area of international trade, in particular in facilitating the effective participation of African countries in multilateral, interregional and subregional trade negotiations, in facilitating effective utilization of trade preferences, and in revitalizing the commodity sector, including cotton. Bilateral and multilateral donors were called upon to provide adequate financial support to UNCTAD's work in this area. Finally, the African Group underscored that the General Assembly had made UNCTAD and the Board important institutional stakeholders in UN-wide work on the implementation of the outcomes of Monterrey, Johannesburg and Doha.

23. The representative of **Benin**, speaking on behalf of the **least developed countries**, said that the failure at Cancún left wide open the question of special and differential treatment and improvements in market access for LDCs' agricultural and non-agricultural products. Even more attention should be accorded to these areas, considering the predominant role of agriculture in the economies of LDCs. The capacity of LDCs to produce and export had been reduced due to tariff escalation and peaks, export subsidies, internal support and non-tariff barriers in developed countries. The sectoral initiative on cotton by four LDC cotton

producers sought to address subsidies granted by certain WTO members to their producers and exporters of cotton. The dismantling of tariffs in trade in non-agricultural goods could provoke strong tariff erosion, and appropriate mechanisms would be required to address losses of revenues, a serious problem for single-commodity exporters.

24. LDCs welcomed the adoption of the Modalities for the Special Treatment for Least-Developed Country Members in the Negotiations on Trade in Services. However, technical assistance would be needed to reinforce national services capacities, as well as institutional and human capacities, including for effective participation in the multilateral trade negotiations. This was one of the key priorities for the LDCs.

25. The adoption of the WTO Decision related to paragraph 6 of the Doha Declaration on TRIPS and Public Health was a major step forward in tackling the serious public health problems confronted by developing and especially least developed and African countries, which lacked sufficient production capacities for essential medicaments. Finally, investment, competition, trade facilitation and transparency in government procurement were important in promoting international trade, but the various country- and issue-specific implications should be identified and clarified before negotiations were launched.

26. The representative of **Egypt** expressed disappointment at the setback experienced in Cancún and emphasized the need to identify ways of increasing the contribution of the multilateral trading system in achieving human development and poverty alleviation goals. The Cancún setback stemmed from the general lack of progress in all areas of negotiations in the run-up to the Conference, in particular on development issues such as special and differential treatment, implementation and agriculture. The inclusion of the four Singapore issues had further overloaded the work programme. Most developing countries felt disappointment at the Cancún outcome, since the Doha Ministerial Declaration had placed development at the heart of the work programme. There had been some achievements prior to the conference, such as agreement on the Decision on paragraph 6 of the Doha Declaration on TRIPS and Public Health.

27. In the new phase of negotiations, UNCTAD should continue to provide analytical support to developing countries on the developmental, economic and social implications of negotiating issues and proposals, including implications for poverty reduction, public health and infrastructure, so as to contribute to the effective participation of developing countries in trade negotiations. UNCTAD should also continue helping developing countries to build human and institutional capacity for trade negotiations through technical assistance and capacity building programmes. This role of UNCTAD should be matched with adequate financial resources.

28. The representative of **Japan** expressed his country's support for the implementation of the Doha Development Agenda and its commitment to bridging the gap between developed and developing countries, which had been one of the major factors leading to the Cancún failure. A rules-based multilateral trading system covering a broad range of sectors was beneficial to all countries and in particular those with fragile economies. The best option

was to have a common set of rules instead of a two-tiered system, and in this context the importance of supply-side constraints was underscored.

29. UNCTAD, as the key organization within the United Nations dealing with trade and development, played an important role in building trust between developed and developing countries and in enabling trade and investment to be translated into development. While the element of development was vital and complex, the WTO by itself could not deal with all development issues. With regard to the secretariat's note, the notion of "development benchmarks" was interesting and deserved further discussion. However, the benchmarks contained elements that might prejudice the outcome of the negotiations, and some touched upon coherence issues that involved other multilateral institutions.

30. The representative of **India** stressed the need to put Cancún into perspective in the history of the multilateral trading system, where past failure to reach consensus had not precluded the subsequent revival of negotiations. Trying to apportion blame served little purpose, since the priority of the hour was to appreciate the concerns of all and find multilaterally acceptable solutions. Systematic effort and considerable political will would be necessary to deliver on the development agenda of Doha and to satisfy the development benchmarks. Artificial consensus had been sought based on one-sided representation of positions, and that had undermined the trust of developing countries in the democratic functioning of the process. The Geneva process had to be revitalized to ensure that compromises were reached at the technical level. In addition, it was no longer possible to ignore the involvement of civil society. The time had come to set priorities in the negotiating process and separate the issues that made for genuine trade liberalization from the rest. In the complex arena of multilateral trade negotiations, the outcome would affect the lives of people economically and socially and the fate of Governments politically. The way forward lay in appreciating everyone's core concerns and interests in a balanced way.

31. UNCTAD had a duty to support the development process and come up with ideas so that the interests of the developing countries were placed at the heart of the trade negotiations. It was well equipped to provide technical assistance, undertake empirical research and objective analysis, and act as a forum for consensus-building.

32. The representative of **Pakistan** noted that, despite expressions of good intent, the vision of an inclusive, rules-based, non-discriminatory multilateral trading system responsive to the needs of the impoverished nations had remained elusive. The adoption of the Doha Work Programme had raised expectations that development would finally occupy centre stage in the WTO, but there had been little progress, with the result that inequalities had remained embedded in the multilateral trading system. The emergence of an issue-based coalition of developing countries needed to be understood in the light of the fact that, in a rapidly evolving global economy, the poorer countries faced an ever-increasing threat of marginalization. What had happened in Cancún should be left behind, so that efforts could focus on evolving a strategy for the renewed empowerment of multilateralism. There was no alternative to developing a consensus on a multilateral trading system that answered the legitimate concerns of both the developed and the developing countries, with due cognisance being taken of the principle of separate and differential treatment.

33. UNCTAD was mandated to focus on policy analysis and consensus-building to identify more clearly the development dimensions of the multilateral trading system. Thus, the present crisis should be seen as an opportunity to play a catalytic role in reviving multilateral trade negotiations. UNCTAD's role as a facilitator for integration of developing countries into the multilateral trading system and as a global forum for discussion on evolving an integrated and strategic view of trade and development issues was rendered conspicuous in the wake of the current impasse in multilateral trade negotiations.

34. The representative of **South Africa** said that the poor and the weak could not be blamed for the Cancún outcome. The Doha Work Programme was well balanced, since development issues were to be addressed first, followed by agriculture, non-agricultural market access and then the Singapore issues. However, delays in agricultural reform in the EU had slowed down the process of negotiations, and the bilateral compromise between the EU and the United States threatened to undermine the development promise. Developing countries wanted to ensure that the Doha Work Programme succeeded in its development focus. Walking away from the rules-based system was no option at all, as bilateral liberalization could not replace the need to have multilateral rules, especially in removing major distortions in agriculture and other sensitive areas, which could only be achieved in the WTO.

35. Cancún had taught a number of lessons, and in particular that the old tactics of holding back on flexibilities until the last moment would not work. It had also demonstrated that strategic alliances, such as the EU-United States compromise, might not help in achieving more liberal markets. Developing countries needed to develop their negotiating capacities further to be able to respond more quickly to negotiating dynamics. The formation of the group of twenty-plus was an event of great significance, redressing the imbalances in negotiating capacities. South-South trade was a critical factor in building export competitiveness and ensuring trade-driven development in developing countries. At the same time, UNCTAD could provide a forum for policy debate on issues that threatened to divide developing countries. It should continue its assistance to developing countries in the multilateral trade negotiations and in preserving the development focus of the outcome.