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DRAFT REPORT OF THE SESSIONAL COMMITTEE II

Rapporteur: Mr. Steinard Lindberg (Norway)

Speakers:

Benin for the LDCs	Japan
Barbados for GRULAC	Ethiopia
Italy for the EU	Algeria
Nigeria	Switzerland
Mauritania	United States of America
China	

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:

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ECONOMIC DEVELOPMENT IN AFRICA: ISSUES IN AFRICA'S TRADE PERFORMANCE

1. The representative of **Benin, speaking on behalf of the least developed countries**, said that although African countries had made continuous efforts to liberalize and integrate their economies into the world economy, their share in international trade had fallen over the past two decades, owing to the decline in primary commodity prices, high tariff and non-tariff barriers, and export subsidies in developed countries. Weak production capacities and high trading costs had also contributed to this situation. The instability of commodity prices and the deterioration of Africa's terms of trade remained worrying and deserved further reflection. The objectives set out in NEPAD, the Programme of Action of the Third United Nations Conference on the Least Developed Countries and the Millennium Declaration had to be pursued through decisive action. The concerns and specific problems of Africa needed to be taken into account in the Doha round of multilateral trade negotiations. While technical cooperation and capacity-building were essential elements in the development dimension of the multilateral trading system, there had unfortunately been a decline in the resources allocated to technical cooperation in favour of Africa, where most of the least developed countries were to be found. Donor countries should increase and intensify their support of UNCTAD's technical assistance projects for Africa.

2. The representative of **Barbados, speaking on behalf of the Latin American and Caribbean Group (GRULAC)**, said that in today's interdependent world the persistent underdevelopment of Africa and the plight of the poorest were serious challenges for the entire international community. Africa's great dependence on primary commodities and the consequent impact of price volatility and deteriorating terms of trade were cause for serious concern, as were the problems related to market access and tariff escalation on intermediate and finished products. Countries in Latin America and the Caribbean had had similar experiences, which made them particularly sensitive to the negative impact of commodity dependence on a country's macroeconomic situation and development, especially with regard to the potential for attracting foreign investment and achieving sustained income growth, poverty alleviation and debt sustainability. One important reason for Africa's being caught in a downward spiral appeared to be a lack of consistency and coherence between national and international efforts to accelerate its development. The report by the secretariat on Africa's trade performance showed that some aspects of the reforms undertaken by African countries as part of structural adjustment programmes had severely undermined their ability to manage the shocks resulting from commodity price booms and busts. The actions identified in the report as necessary for enhancing African development, including the removal of trade barriers by developed countries in agriculture and textiles, a reduction of tariff escalation, accelerated product diversification, and institution-building, were not only relevant for Africa, but also of more general importance with a view to strengthening the development dimension of the multilateral trading system. UNCTAD had an important role to play in the creation of a more development-friendly trading system. Through its various technical assistance programmes in the area of trade and finance it was making a positive contribution to the development efforts of developing countries. Efforts at the bilateral level, such as the Everything But Arms initiative and the African Growth and Opportunity Act, were also

important. In order to better exploit the potential for intraregional trade in Africa, the countries of the region should increase their efforts to ensure greater regional cooperation and integration. GRULAC was ready to collaborate with all development partners to devise new and feasible solutions for the problems that Africa was facing.

3. The representative of **Italy**, speaking on behalf of the **European Union (EU), the acceding countries (Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia) and the associated countries (Bulgaria, Romania and Turkey)**, said that while the relationship between the EU and Africa was of strategic importance, it was important that the African countries assume ownership of their development. Peace, democracy, good governance and regional integration were essential conditions for development. In implementing the New Partnership for Africa's Development (NEPAD) the African countries had to count on a solid commitment by the international community and changes in the policies of the developed countries. The Doha Agenda, the Monterrey Consensus and the Johannesburg Declaration had given concrete indications regarding the elements of an integrated approach at the global level to help African countries meet the Millennium Development Goals. There was a need to increase the overall level of financing for international development cooperation to reach the 0.7 per cent target for official development assistance (ODA). The EU had committed itself to reaching collectively an ODA level of 0.39 per cent by 2006. While the Heavily Indebted Poor Countries Initiative (the HIPC Initiative) was a major achievement, the EU was ready to consider additional debt relief for countries affected by extraordinary circumstances. The UNCTAD secretariat's report on economic development in Africa painted a grim picture of Africa's trade performance, and pointed to the need for developed countries to improve market access, eliminate subsidies, and provide significant financial resources to help African countries improve their human and physical infrastructure. There was also a need for the secretariat to increase its own technical assistance to Africa. Trade was vital in order to boost growth and alleviate poverty in the developing countries, and the EU had been a driving force in ensuring that the Doha Development Agenda would live up to its name. The EU had adopted a reform of its Common Agricultural Policy to make it more development-friendly and would continue to push for duty- and quota-free access for all exports from the least developed countries to the developed, and certain developing, countries. The EU and the African countries must stand fast in supporting the conclusion of a comprehensive Doha Development Agenda by the end of 2004. A sound and equitable multilateral trading system was in the interest of developed and developing countries alike.

4. The representative of **Nigeria** said that the decline in Africa's share in world exports since 1980, both in total trade and in traditional primary commodities, was due to limitations on domestic production, a difficult external environment and problems relating to market access. Africa had not been able to benefit from trade in dynamic products or international production networks. Most African countries were suffering from serious resources constraints, a huge external debt burden, natural disasters, political conflicts and the HIV/AIDS pandemic. Moreover, they were not able to use policy instruments that had been used elsewhere to stabilize prices and revenues. Market-based mechanisms often did not function well owing to insufficient institutional capacity and infrastructure. Although some

African countries had benefited considerably from preferential market access schemes, others had seen an erosion of such schemes or had been faced with demands for reciprocity in the context of multilateral, regional or bilateral trade negotiations. There was a need for greater predictability and less stringent rules of origin in preferential market access schemes, and greater cooperation between Africa and its development partners. UNCTAD should strengthen its efforts to support Africa in building capacity to meet the product and environmental standards of developed countries. Although a few countries had been able to achieve relatively high growth rates, it was now very difficult, if not impossible, to meet the Millennium Development Goals in most parts of Africa. Since sustained growth also depended on the external environment, the failure of the WTO Ministerial Conference in Cancún had had a negative effect on the outlook for the future. While the African countries acknowledged the support they received to improve their trade negotiating capacity, they deplored the sharp decline in Africa's share in UNCTAD's technical assistance.

5. The representative of **Mauritania** said that the priority given by the international community to poverty reduction constituted a strong political message and marked a new orientation in development strategies. Unlike other regions, Africa appeared not to have benefited from the opportunities offered by globalization and trade liberalization. The sharp decline in Africa's share in world trade over the past 20 years was due to several structural factors, as well as to the instability and decline of its terms of trade. Market access barriers were a difficult and recurrent problem. The low utilization of trade preferences by the least developed countries was a complex issue, and pointed to the need for urgent complementary measures to increase their effectiveness. The mechanisms governing compensatory financing, national price stabilization systems and price risk management needed to be reviewed with a view to developing new and efficient approaches that took account of the specific characteristics of each product, tariffs and non-tariff measures, and trading arrangements. A new approach was also needed to address the basic problem of African economies, namely insufficient horizontal and vertical diversification and export dependence on a small number of primary commodities with declining market dynamism. The New Partnership for Africa's Development (NEPAD) recognized that economic development had to be based on intraregional trade, and reflected the vision and strong political will of African leaders to take Africa out of its economic and political marginalization.

6. The representative of **China** said that UNCTAD was making a substantive contribution to promoting Africa's development, and the secretariat's documentation for this agenda provided an objective analysis of the problems underlying Africa's weak trade performance. In recent years Africa had experienced slow economic growth, deteriorating trade conditions and a decline in its share in world trade. The gap between the level of development in Africa and the rest of the world had widened further. While the African countries should carry out structural reforms, they also deserved special assistance and support from the international community, which should be more active in taking effective measures to create a more favourable international trading and financial environment for sustainable development in the region. In addition to better market access and a reduction of subsidies in areas where there was competition with African products, it was necessary to provide additional external financial resources to compensate for Africa's losses and its lack

of domestic resources in order to ensure sufficient investment in human resources, infrastructure, diversification and institution-building. It was urgent that in the multilateral trade negotiations due consideration be given to the disadvantages and special difficulties of Africa in the world trading system. China attached great importance to the follow-up to the China–Africa Cooperation Forum and had established an action committee to deliver the various commitments made at this Forum with regard to trade, investment, debt reduction and human resources development. The second China–Africa Ministerial Conference under the Forum would be held in December 2003 in Addis Ababa with a view to further promoting Sino–African cooperation in all areas.

7. The representative of **Japan** said that there would be neither stability nor prosperity in the world without a solution to Africa's problems. Japan was giving the New Partnership for Africa's Development (NEPAD) its full support and would make additional efforts to extend its assistance to countries in the region, in line with its commitments made at the Tokyo International Conference on African Development (TICAD). The first pillar of this support was human-centred development. Under this heading many programmes had been implemented to cover basic human needs and improvements in health and medical care. The second pillar was poverty reduction through economic growth, which addressed problems in the areas of food procurement, agriculture and rural development, infrastructure, and the promotion of trade and investment. Further emphasis would be placed on cooperation to improve Africa's agricultural productivity with a view to reducing the region's dependence on food imports. The third pillar was the consolidation of peace, and Japan had also strengthened its cooperation in this regard, including in the context of peacekeeping operations. TICAD III, held from 29 September to 1 October 2003, had provided an opportunity for delegations from 89 countries (including from 50 Africa), and 47 regional and international organizations and civil society organizations to discuss issues relating to African development in the twenty-first century, including TICAD's role in mobilizing international support for NEPAD. Moreover, Japan would convene a conference on the promotion of cooperation between Asia and Africa in the areas of trade and investment in 2004, in collaboration with other organizations involved in TICAD. The success of TICAD III had demonstrated the support of the international community for African development in general, and NEPAD in particular, and had led to an expansion of partnerships.

8. The representative of **Ethiopia** said that Africa had witnessed its worst performance in international trade in the last two decades, and only a few countries had achieved satisfactory growth rates. While the continent remained dependent on exports of primary commodities, its share of trade even in this area of traditional comparative advantage had been declining. This was in contrast to the performance of other regions, particularly Asia. It was worrying that the prospects for the short and medium term did not indicate any improvement. A major reason for this situation was terms-of-trade shocks, which had caused a debt overhang and a decline in per capita income and the share of investment in gross domestic product. There were serious doubts about the success of the HIPC Initiative in achieving debt sustainability in all countries. In the light of this situation, the recommendations of the eminent persons on commodity issues should be given serious attention. For Africa to advance in horizontal and vertical diversification, it was necessary to

build human and institutional capacity, increase investment in social and physical infrastructure, and strengthen regional integration. In addressing these issues, Africa needed the support of the international community, which should provide better market access, external resources, debt relief, foreign direct investment and technical assistance. The benefits of globalization were evenly distributed, and those not benefiting from the process needed support from those benefiting the most. Africa remained marginalized despite the implementation of painful economic reforms. Poverty in Africa was likely to increase substantially even beyond the target dates of the Millennium Development Goals. The commitments made at recent summits and conferences and in recent declarations had to be translated into concrete action, so that NEPAD could not only lead to a reversal of marginalization but also contribute to poverty reduction in Africa. UNCTAD should monitor and assess progress in this regard.

9. The representative of **Algeria** said that forecasts were not promising with regard to a reversal of the decline in Africa's share in world trade. The main causes for this situation were dependence on a small number of export commodities, combined with declining international commodity prices and deteriorating terms of trade, and lack of access to developed country markets, despite the preferential treatment granted by a number of developed countries, namely Canada, the European Union, Japan and the United States. Mechanisms and instruments to stabilize prices at national and international levels had not been successful in limiting the substantial decline of Africa's export revenues. A reversal of the region's marginalization through enhanced trade and economic reforms was a main political objective of African countries and multilateral organizations. Strengthened regional integration was an essential element in the efforts of African countries to integrate into the world economy. NEPAD reflected the commitment of African policy makers to sustain a partnership based on democracy, good governance and peaceful conflict solution. Reliance on trade alone was not sufficient to solve all the economic problems of the world. Also, it was important to strengthen Africa's supply capacities through development strategies aimed at diversification and productivity growth. The failure of the WTO Ministerial Conference in Cancún was a matter of serious concern for most African countries seeking active participation in the multilateral trading system, and the indifference expressed in Cancún with regard to the cotton initiative elaborated by four African countries was particularly disappointing. The economic and trade interests of the disadvantaged countries needed to be better reflected in the WTO framework. There was also a need to improve Africa's competitiveness by increasing the productivity of local firms, and eliminating the different supply obstacles, ranging from high transport costs to the non-existence or weakness of trade-promoting institutions. Africa's development should be given priority in UNCTAD's work programme.

10. The representative of **Switzerland** said that the report by the secretariat on economic development in Africa described well the problems that African countries had in international trade, namely their dependence on primary commodities, the loss of market share, the decline in their terms of trade, and the lack of access to the markets of developed as well as other developing countries. The report was right in calling for a global approach to deal with the structural constraints that the African economies were facing. The State could play an

important role in providing the private sector with a favourable environment and incentives for greater diversification of economic activity. While this required the strengthening of institutions, the commodity problem could not be solved without the contribution of the private sector. Increased efforts were necessary, as the report suggested, in order to enhance the development of non-traditional sectors, and the secretariat should assess more concretely Africa's potential and prospects in this regard. It would also be interesting to obtain additional information on the most dynamic manufacturing sectors in Africa. Moreover, the secretariat should provide the Trade and Development Board at one of its next sessions with an in-depth assessment of the possibilities of exploiting the potential for intraregional trade. Good governance also played a crucial role in sustainable development, as recognized in the New Partnership for Africa's Development.

11. The representative of the **United States of America** expressed his appreciation for the secretariat's report on Africa's trade performance. He said that Africa had not benefited substantially from the rapid expansion in world trade over the past few decades, at least not to the same extent as other regions. This was partly due to armed conflict, disease, and social and political instability, which had plagued the region throughout its recent history. Peace and a sound macroeconomic framework were essential for success in trade and development. The United States had tried to encourage the development of sound domestic policies through the design of the Millennium Challenge aid account. While the responsibility for development lay first and foremost with the developing countries themselves, the recognition that developing economies had to be given opportunities had been the prime motivating factor behind the African Growth and Opportunity Act, which was the cornerstone of the United States' trade and investment policy towards Africa. At the end of 2002, 38 of the 48 countries in sub-Saharan Africa had been eligible for benefits under that programme, and 94 per cent of all the exports from those countries now entered the United States duty-free. The United States was sub-Saharan Africa's largest export market and one of the region's major investment partners. A successful conclusion to the Doha round of multilateral trade negotiations was essential for Africa. In the weeks leading up to the WTO Ministerial Conference in Cancún, agreement had been reached on access to low-cost life-saving medicines and on a framework for agriculture that could lead to cuts in subsidies and tariffs far beyond anything ever achieved before. These were real gains of direct importance to Africa that could be lost if the current round of trade negotiations failed. Indeed, it was the poorest countries that would pay the highest price if the round failed. Other countries could help, but Africa had to make crucial choices on trade, development and issues of governance.
