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Agenda Item 6

**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FIFTY-
FIRST SESSION**

Rapporteur: Mr. Patrick Krappie (South Africa)

Speakers:

Chile

Philippines

Zambia

United States of America

Argentina

South Africa

Indonesia

Japan

Russian Federation

Mauritius

Jamaica

Cuba

Senegal

Sri Lanka

Republic of Korea

Venezuela

Norway

Belarus

Canada

Switzerland

Ethiopia

Sudan

Economic Commission for Europe

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 **Tuesday, 19 October 2004** at the latest, to:

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

(Agenda item 6 - Continued)

1. The representative of **Chile** said that expectations for the Hong Kong Ministerial Meeting were high, but it could not be expected that negotiations would be concluded there, and the true driver of the negotiations was the Geneva process. UNCTAD could contribute to the process by helping developing countries to participate effectively in the negotiations. Markets did not operate on the basis of a North-South divide, and it would therefore be necessary to be very imaginative in dealing with provisions on special and differential treatment. There were differences among developing countries on issues on the agenda in the agricultural negotiations, and the formula for the NAMA negotiations would have to be considered carefully, though deep cuts in tariffs by all members would be positive for developing countries' exports. With respect to preferences, care would be necessary, because there was a risk that some members could hide behind the issue for protectionist purposes. In services negotiations, the relative absence of initial offers would have to be addressed shortly, otherwise the process could be seriously jeopardized. The issue of emergency safeguard measures should be carefully assessed due to the fact that an adequate solution had still not been found. Such measures would be applied not only by developing countries but also by developed countries, and could affect particularly Mode 4. The new approach to S&D treatment in the area of trade facilitation was positive and would be useful for targeting technical assistance. Implementation should not be hostage to geographical indications. Finally, with respect to the issue of policy space and North-South agreements, the latter had not affected policy space; on the contrary, countries had gained from such agreements.

2. The representative of the **Philippines** said that there should be a greater role for developing countries in global economic decision-making. The importance of South-South trade was increasing, and a group of developing countries had played an active and constructive role in the process leading up to the July consensus. UNCTAD should provide technical assistance to build up developing countries' capacity to negotiate and to find common areas for cooperation. It would be important to maintain the complementarity of the UN system and the WTO on development, an area where UNCTAD could provide support and be innovative where necessary. A comparative-advantage-based approach might be detrimental to development needs and interests. UNCTAD and WTO had to work more closely to maximize the development benefits from the multilateral trading system. The UN had to retain its central role in promoting multilateral cooperation and development, while the WTO dealt mainly with trade growth and related issues. The UN system and UNCTAD had to ensure the fulfilment of the development agenda and maximize contributions towards the attainment of the MDGs. UNCTAD should play a similar role regarding other multilateral institutions having an impact on development, including WIPO, and regional and inter-regional fora, including APEC, ASEM and FEALAC. It should strengthen its analytical work within a development cooperation framework incorporating the concept of policy space, which would provide a basis for further cooperation between developing and developed countries.

3. The representative of **Zambia** said that there was a need for a strategic road map for the successful conclusion of the Doha Round with a real development dimension. While Zambia was in favour of a rule-based multilateral trading system, it also stressed the importance of differentiation between countries. The Uruguay Round had provided a number of lessons in the area of policy space, implementation issues and SDT, and the mistakes of the past should not have been repeated in the current round. SDT provisions should now be made mandatory, along with technical assistance to better ensure effective participation by all WTO members. While the July Package was an encouraging sign, its real translation into development-oriented results remained to be tested, particularly with regard to the negotiations on agriculture and NAMA. A development-oriented round should produce development-oriented results and flexibility. As the LDCs' share in world trade was still declining, more attention should also be given to market entry barriers such as SPS measures, TBT and rules of origin, since these were the new real protectionist barriers. The WTO July Package, by not requiring LDCs to take on commitments, represented a positive development. Yet Zambia would like to see even more provisions that were consistent with development needs. In this regard, the wording used for the forthcoming negotiations on trade facilitation seemed to be quite promising. Finally, to take full advantage of the multilateral trading system, it would be of paramount importance to invest more in production and overcome supply-side constraints.

4. The representative of the **United States of America** said that the July General Council Decision was an important result for the rules-based multilateral trading system, and it should contribute to the completion of modalities and the Round, although the hardest work still lay ahead. The spirit of good will that had surrounded UNCTAD XI had contributed to the subsequent consensus on the July Package and to the advancement of the agricultural talks. The combination of Ministerial-level meetings and the intensive dialogue before and at UNCTAD XI had ultimately helped to create a positive atmosphere that was not only North-South oriented but incorporated a broad range of views encompassing North-South and South-South considerations. The July Package addressed the core elements of the negotiating agenda, and an ambitious result on these would be the greatest contribution towards realizing the development promise of the Doha development agenda. While the July Package indicated the maturation of the negotiations, it had to be kept in mind that there was a healthy diversity of interests and alliances on various issues that reflected individual economic aims and situations – often transcending simplistic North-South characterizations. The United States was looking forward to the launch of negotiations on trade facilitation and the probable removal of the term “Singapore issues” from the lexicon. The modalities for the talks should leave room for an ambitious and creative approach. The work would move beyond the outdated “one size fits all” approach, addressing the specific and individual situations of developing countries. As regards the subject of policy space, the long negotiations in São Paulo had been factually reflected in the outcome of the Conference, but there was no mandate for further work on the policy space issue in UNCTAD. Finally, the United States looked forward to continued progress on the Doha Work programme.

5. The Representative of **Argentina** said that the new developments in trade and the new trade geography were a positive phenomenon from a developmental and poverty reduction perspective. However, the concentration of the new trends in some regions was a matter of concern. South-South trade was mainly intra-regional, and in this regard the launching of negotiations under the GSTP, considered to be one of the most significant outcomes of UNCTAD XI, could contribute significantly to enhancing inter-regional trade. The GSTP

should incorporate mechanisms responding to members' needs. The Latin American and Caribbean region had extensive experience with South-South integration, and a considerable number of new initiatives had emerged, along with mature processes of negotiation. However, North-South agreements were a relatively new phenomenon, in which asymmetries existed that were difficult to overcome. These agreements were a new generation involving complex and new issues such as investment, services, intellectual property, competition and environment. They represented a formidable challenge in terms of both negotiation and implementation. His country regarded such agreements as being important, without prejudice to the importance it attached to the multilateral trading system. Finally, the Doha Work Programme would be successful only to the extent that it gave content to developmental concerns.

6. The representative of **South Africa** stressed that UNCTAD XI and the July Package had added important dimensions to the development discourse and would define the future of the multilateral trading system. The July Package was largely attributable to UNCTAD XI, and there was no doubt that UNCTAD played a critical role in the multilateral trading system. The secretariat's note provided an excellent assessment of the July Decision, which reaffirmed the value of multilateralism and the centrality of development concerns and ensured focussed future negotiations. The WTO negotiation process had been improved markedly, and coalitions had proved effective. Agriculture remained a key aspect of the development agenda, and success would be measured by the extent to which developed countries reduced domestic support and export subsidies and improved market access. Trade in commodities remained at the heart of Africa's poverty-trap. The resolution of longstanding implementation issues regarding SDT was critical in fulfilling the Doha development agenda. SDT should not be confused with the broader development dimension. On NAMA, developing countries had real difficulty in accepting the Derbez text as a basis for further negotiations and thus proposed language that reflected their concerns. There were deep-seated concerns that the trading system increasingly depended on a few growth poles due to uneven distribution of demand, and in that connection new negotiations on GSTP would provide impetus for South-South trade. Finally, the success of the Doha negotiations would be measured against the degree of attainment of the MDGs.

7. The representative of **Indonesia** emphasized the importance of ensuring that the development promises made at Doha be realized and that the expectation that the Doha development agenda could put right the imbalances and inequities of the current multilateral trading system be fulfilled. In this regard, the WTO August Decision had involved some positive initial steps, but many issues still needed to be addressed. In agriculture, concepts such as special products and the Special Safeguard Mechanism were fundamental components of S&D treatment, to which Indonesia attached great importance in addressing the need for policy space, food security, rural development and rural livelihood. Indonesia also attached importance to the need to eliminate agricultural export subsidies. S&D treatment was important when negotiating NAMA and trade facilitation, the latter having the potential to increase the benefits from trade liberalization. The areas in which UNCTAD could assist developing countries included data collection and analysis on such issues as the level of usage of domestic subsidies in OECD countries; developed countries' subsidy policies; NTBs applied by WTO Members; and models and alternatives to assist developing countries to develop new concepts such as special products and the Special Safeguard Mechanism.

8. The Representative of **Japan** said that UNCTAD XI had contributed to confidence building between developed and developing countries and had been instrumental in making possible the WTO July Package. The July Package could provide the basis for a final and balanced agreement, although WTO members must maintain the momentum and deepen the discussion on individual issues. Japan supported the participation of developing countries in the international trading system, and to this end it would continue to provide technical assistance to developing and least developed countries. Japan had already increased the coverage of its GSP for LDCs with a view to providing them with duty-free and quota-free treatment. With regard to supply-side constraints, Japan was willing to make the best use of its ODA resources to assist developing countries in overcoming these difficulties, and it had already formulated a package of assistance for Benin on the cotton issue. The secretariat's note summarized the issues in which developing countries had shown the greatest interest, but several passages in the note might be such as to prejudice the direction of the negotiations or inaccurately quoted the outcome of the July Package. For example, with regard to services the July Package clearly stated that offers "should be submitted by May 2005", whilst the secretariat note said "would be submitted", which was not correct. Finally, the success of the round depended on the efforts not only of developed countries but also of developing countries.

9. The representative of the **Russian Federation** said that the most important function of international trade was to promote economic and social development of all countries, but this depended to a great extent on the gradual elimination of trade barriers and the rejection of protectionism. Trade liberalization should not be unreasonably forced, and should proceed in an evolutionary, not a "revolutionary", manner. Trade policies that favoured artificial trade barriers, such as unjustified anti-dumping measures, inevitably distorted the natural comparative advantage of exporters from developing countries and countries with transition economies. They also inflicted injury on the economies of the countries imposing them and diverted resources that could be channelled to development. Hence, a more transparent, predictable and balanced multilateral trading system was in the interest of all countries. As a G-8 member, the Russian Federation was satisfied with the July Package agreed by the WTO General Council. The Package was politically and psychologically significant and could impart dynamism to the Doha multilateral trade negotiations. Particular attention should be paid to newly acceded Members' interests. The process of accession to the WTO should be conducted on a non-discriminatory basis, taking into account the levels of development of the acceding countries and their specific structural circumstances, and commitments should not exceed current WTO Members' obligations and commitments. UNCTAD's assistance to the WTO acceding countries should be continued. UNCTAD XI had been important in achieving international consensus on the current problems facing international trade and its increased contribution to development.

10. The representative of **Mauritius** said that his country was seeking to identify ways to ensure that countries with small and vulnerable economies and limited resources could adjust to increased liberalization in agricultural and industrial product markets. Trade in services had become an important economic pillar for many developing countries, particularly small economies, accounting for 65 per cent of GDP in Mauritius. Mauritius, as an exporter of services, particularly in Africa, was an active participant in the GATS negotiations. Liberalization of services trade within the framework of the Doha negotiations should help developing countries' industries to achieve global levels of sophistication and

competitiveness. The development mandate of Doha must be fully reflected in the outcome of all negotiations under way at the WTO, and developing countries' policy space must be maintained and where necessary enhanced in new multilateral trade agreements. He expressed concern about the decline in the terms of trade of developing countries caused by the erosion of preferences as tariffs were reduced. He emphasized that UNCTAD played an important role in assisting developing countries in understanding multilateral trade system issues, and he called for that assistance to be continued.

11. The representative of **Jamaica** said that if development gains for the developing countries were to be secured from the multilateral trading system, the system must respond to some of their fundamental trade concerns. The Doha Ministerial Declaration sought to place the needs and interests of developing countries at the heart of the Doha Work Programme and to further increase their participation in the multilateral trading system. The July Framework served to move the process forward, but much work would be required in further negotiations to ensure that development was indeed at the heart of the Doha Round, since the key interests of small developing countries had not yet been fully addressed. In agriculture, there was a need for differentiated tariff reductions, significant flexibility through special products, and a Special Safeguard Mechanism consistent with the development needs of developing countries. She was disappointed that, despite the high level of trade-distorting subsidies that developed countries were providing, a reduction in the de minimis levels of developing countries was still to be negotiated. This issue should be addressed both through trade solutions and within the framework of development instruments. In NAMA negotiations, there must be sufficient flexibility and exemptions to ensure the survival of small and fledgling domestic industries. UNCTAD, on the basis of its three pillars, should continue to assist developing countries to strengthen their capacities to participate in trade negotiations and to defend their legitimate trade interests.

12. The representative of **Cuba** said that the United States was still engaged in an economic war against Cuba. With regard to the current WTO negotiations, the Doha Round might not deliver the expected results if issues such as SDT and the elimination of agricultural subsidies were not fully addressed. A number of issues being discussed in the context of the negotiations on agriculture were of particular importance for the Cuban economy: the situation of net food-importing countries, the definition of special and sensitive products, special safeguard measures, preference erosion, and market access liberalization for tropical products. Cuba also attached great importance to the cotton initiative. On NAMA, it would be important to set up a system of compensation and/or a mechanism for assistance to address the issue of preference erosion. Developing countries should be helped in creating social safety nets and infrastructure, including by international institutions like UNCTAD. Finally, more attention should be given to country specificities, and UNCTAD could make a significant contribution in that respect.

13. The representative of **Senegal** said that, in Africa in 2003, GDP had increased by 3.6 per cent as compared to 3.2 per cent in 2002, and it was expected to grow by 4.4 per cent in 2004. These were encouraging results that reflected a better macroeconomic situation in Africa due both to the efforts carried out by countries at the domestic level and to an overall improvement at the international level. Nevertheless, Africa continued to be marginalized in international trade. Africa's share in world exports had gone down from 4.6 per cent in 1980

to 1.8 per cent in 2000. During the same period, exports of developing countries as a group had grown from 28.6 per cent to 31.5 per cent. This situation made it difficult for African countries to attain one of the Millennium Development Goals, namely to halve the number of people living in extreme poverty by 2015. In this light, African countries had high expectations for the Doha negotiations, but those negotiations would be successful only if the development dimension was fully taken into account. If Africa was going to benefit from the new trade geography, certain preconditions had to be met, including better market access for goods and services produced in Africa, in particular agriculture products, industrial products that still faced tariff escalation and tariff peaks, and services delivered through the movement of natural persons. The consensus reached at UNCTAD XI could inspire the negotiations at the WTO. In addition, financial support should be made available to improve the supply capacity of African countries, more investment should take place in the region, and the servicing of foreign debts should be eased. It was of paramount importance to find new mechanisms to finance development.

14. The representative of **Sri Lanka** said that UNCTAD XI had helped generate the right spirit for the WTO July Package. Current negotiations at the WTO gave rise to some country-specific concerns. While the Doha round would be beneficial for the world overall and many countries would gain from it, others, like Sri Lanka, might actually lose unless their specific concerns were properly addressed in the negotiations. First, as a net food-importing country, Sri Lanka was likely to experience increased import bills as a result of the round. It was therefore important that the Marrakech decision be fully implemented. Second, an important concern for Sri Lanka was the end of the Multi Fibre Agreement (MFA), which could have negative consequences for small and vulnerable economies. Creative SDT provisions should therefore be put in place to protect these weaker economies from adverse effects. Finally, with regard to services negotiations, Sri Lanka stressed the need to improve the offers, particularly in Mode 4, an area widely recognized as bringing significant gains to developing countries. The Sri Lankan economy was in fact heavily depending on remittances, which were playing a crucial role in the country's efforts to attain the Millennium Development Goals.

15. The representative of the **Republic of Korea** agreed that the July Package provided a useful framework for the work, particularly for the completion of work on SDT treatment. The secretariat's note highlighted the role of issue-based coalitions between developing countries, and such coalitions had played a useful role in re-energising the Doha work programme, even though the alliances were not between countries of the same level of economic development. With regard to the role of ministerial meetings, given the success of the WTO's General Council in arriving at the July package, what was important was the need for political will to find solutions to difficult issues. With respect to the Doha work programme, he noted the need to achieve a balanced outcome in the various areas and to ensure that the negotiations were not overly prejudiced in favour of any one subject. UNCTAD could assist developing countries in improving their supply-side capacities, as well as in the other areas identified in the secretariat's note.

16. The Representative of **Venezuela** said that, in the current Doha round, the development content remained to be tested. S&D treatment and development issues should weigh consistently more in current negotiations in order to prevent the word development

becoming a mere euphemism. WTO members should give a sense of urgency to these issues in the current trade negotiations. Finally, UNCTAD should contribute significantly to these aims in the run-up to the next WTO Ministerial Conference in Hong Kong.

17. The representative of **Norway** said that the Framework Agreement reached in the WTO had been an important step towards concluding the Doha Round. All WTO Members, both developing and developed, had a common interest in a strong, rules-based multilateral trading system that would not be undermined and fragmented by a shift towards bilateral and regional trade agreements. Norway hoped that all WTO Members would engage constructively in finding solutions to the outstanding issues in order to move towards a successful and timely conclusion of the negotiations. The special needs and concerns of the developing countries and in particular the LDCs should be placed at the heart of the Doha Work Programme. Norway was committed to redoubling efforts to address special and differential treatment, implementation-related issues, and technical assistance.

18. The representative of **Belarus** said that the traditional consideration by the Trade and Development Board of this agenda item was useful and allowed the participation of a wide range of countries, including those that were WTO observers. The Doha Ministerial Declaration had focused the work programme to a large extent on developing countries' needs and interests, but it had nevertheless opened considerable possibilities for all countries and established important objectives for further trade liberalization, with emphasis on development issues. UNCTAD XI had enhanced the constructive spirit among countries, strengthened mutual confidence and created a positive environment for the negotiations leading up to the July decision by the WTO General Council. The adoption of the July decision was commendable. It overcame the Cancún impasse and put the negotiations back on track. Reasonable optimism with regard to the outcome of negotiations might be warranted in the five key negotiating areas of the July decision, namely agriculture, market access for non-agricultural products, services, development issues and trade facilitation. As an acceding country, Belarus welcomed the recognition by WTO members of the need to take account of the substantial concessions made by newly acceded members. Accession to the WTO was part of Belarus' strategy and priority. In the accession negotiations, Belarus aimed to achieve obligations and commitments consistent with her economic possibilities and eventually capture real benefits from the multilateral trading system. UNCTAD had the necessary competence and experience to assist developing countries and countries with economies in transition in their integration into the multilateral trading system on balanced terms and in accordance with their national specificities and development needs. Accordingly, Belarus stressed the need for enhanced technical assistance by UNCTAD, with the support of Member States, for all developing countries, particularly LDCs, and countries with economies in transition prior to, during, and in the follow-up to their WTO accession process.

19. The representative of **Canada** noted the linkages between the São Paulo Consensus, the Doha Development Agenda and the July Package. By analogy with Thanksgiving, it could be said that the table was set, the proof was in the pudding, and it was time to start cooking. A lot of progress had been made in terms of incorporating developing country concerns into the framework for future negotiations and most importantly mainstreaming development into the core negotiating agenda. From a development perspective, the language

agreed by WTO Members reiterated the centrality of development within the Doha development round, in particular through the strong language on trade-related technical assistance, capacity building, S&D treatment, and the integration of development concerns in detail within the frameworks for the core areas. Thus the July package not only got the negotiations back on track but reflected developing country concerns. The proof of the collective commitment to ensure that developing countries and particularly the poorest would benefit from the negotiations would be in results, including in UNCTAD's role in assisting the countries concerned in engaging fully in the negotiations. The road map for substantive negotiations was there, and the agreement represented a vote of confidence in multilateralism, as all WTO Members joined together in shaping the future global economy.

20. The representative of **Switzerland** confirmed the important role of the July Package in terms of liberalizing trade and meeting development needs. UNCTAD XI had contributed positively to the negotiations. Precise provisions and details now remained to be determined. In that connection, UNCTAD's technical assistance effort should continue and be intensified. Document TD/B/51/4 contained useful information but did not reflect the diversity of developing countries and sometimes provided an oversimplified vision of reality. Paragraphs 6 and 7 of the document stated that the implementation of the WTO agreements had produced imbalances, mostly working against developing countries, but in 2003 for the first time the United States had imported more goods from developing than from developed countries. With regard to agriculture, considerable progress had been achieved in that area, but the final result would depend greatly on progress in other fields. Paragraphs 24 to 27 of document TD/B/51/4 placed insufficient emphasis on the positive impact of tariff reductions in developing and least developed countries on other developing countries. Paragraph 32 gave the impression that there was a consensus that a safeguard mechanism was beneficial for developing countries, but that was wrong. Paragraph 38 did not mention that geographical indicators were also of interest to developing countries. In general, the real situation was far more complex than suggested in the document.

21. The representative of **Ethiopia** highlighted the concerns of countries in the process of accession to the WTO. The accession process was complex, costly, lengthy and challenging for all countries, especially the LDCs. The commitments sought from acceding countries entailed measures that went beyond mere border measures and encroached on the policy space of national Governments. Acceding countries were also faced with WTO-minus issues involving denial of access to SDT provisions embodied in the WTO agreements. These and other issues made the accession process quite complex, and more so in the case of LDCs, which suffered from severely limited human, institutional, financial and administrative capacity constraints. The Guidelines for LDC accession to the WTO should be adhered to. He expressed thanks to UNCTAD for its support for acceding LDCs and to his country's trading partners for the financial support provided to UNCTAD.

22. The representative of the **Sudan** agreed with the representative of Ethiopia with respect to the concerns of countries acceding to the WTO. He also thanked UNCTAD for its continued support for countries in the process of accession, particularly LDCs. He called for more financial support for UNCTAD in its technical assistance and capacity building programmes for countries acceding to the WTO.

23. The representative of the **Economic Commission for Europe (ECE)** said that the ECE region accounted for over half of total world trade, so the outcome of the Doha negotiations was central to the development prospects of the region and to the fulfilment of the MDGs. The concerns of transition economies in the multilateral trading system and in the ongoing Doha round were being addressed in only a very modest way. Moreover, because these countries were not considered developing countries by the WTO, they had not been able to negotiate more favourable entry conditions. Excluding the countries that had recently joined the EU or were in the process of doing so, only five small economies in transition had acceded to the WTO recently. Ten other transition economies were in the process of accession, and their longer-term economic welfare would be strongly affected by the results of the Doha round, though they would have great difficulty in exercising any real influence on the outcome of negotiations. The five transition economies that were WTO members were concerned about the extensive market-access commitments that they had had to make in their accession. For them, it was vital to concentrate on those issues of greatest importance, including obtaining technical assistance for the facilitation of trade flows. Issues related to Article V of GATT 1994 were also especially important for the landlocked countries of the South Caucasus and Central Asia. Another key issue for transition economies was agriculture. During the transition to a market economy, agriculture had been hit hard by sweeping changes in the production structure, the absence of a well-functioning mortgage system, and uncertainty surrounding property rights and ownership. These had led to a major drop in agricultural production. Hence, the countries concerned were calling for extra temporary flexibility regarding domestic support so as to ensure that a competitive agricultural sector could be rebuilt. The insufficient attention given to the problems of transition economies in the multilateral trading system was partially due to lack of substantive expertise and negotiating capabilities. UNCTAD, in cooperation with the ECE secretariat, could continue to take up the challenge of assisting these countries in the Doha negotiations.

Action by the Board

24. The Board took note of the note by the UNCTAD secretariat in document TD/B/51/4.

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