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

Held at the Palais des Nations
from 27 September to 2 October 2006 and 10 October 2006

Rapporteur: Ms. Ana Inés Rocanova (Uruguay)

Agenda item 5 (Post-Doha)

Speakers:

European Commission
Brazil
Kenya
Mexico

Canada
Egypt
United States
Chile

China
Angola for the African
Group

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
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UNCTAD Editorial Section, Room E.8106, fax no. 917 0056, tel. no. 917 1437.

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

(Agenda item 5)

(Continued)

1. The representative of the **European Commission** expressed his appreciation to the secretariat for the background note. The suspension in negotiations in the Doha round did not mean that the round was dead; the situation was, however, serious and called for an appropriate response from all concerned parties. While all those involved had reiterated their commitment to the successful completion of the round, there was no room for complacency as the round was still at risk and the next few months would be crucial. The question was not whether, when or on what basis the negotiations should be resumed: a window of opportunity for a resumption existed between November 2006 and March 2007, and the basis of negotiations should be the existing mandates and conditional offers made up to July. The immediate question was how to start, but the right response would be found, because so much was at stake. The breakdown in July had more to do with politics than economics as the major breakthrough, or “quantum leap” from the Uruguay Round, was within reach. Domestic politics in a certain country were not encouraging and this resulted in very different expectations on the right “exchange rate” for necessary trade-offs within the triangle of issues. These political difficulties could be overcome if the right balance between ambition and realism was found, while still ensuring that the round generated real new market opportunities. A “dollar for dollar” parity between domestic subsidy reductions and market access was neither realistic nor acceptable to the vast majority of WTO Members.

2. Getting back to the negotiating table would require everyone being ready to play their part in the give and take of negotiations, particularly in areas such as agricultural market access. While the EC was willing to improve its offer towards the level proposed by the G20, this would only make sense if other key partners also moved towards the middle ground. The cross-Atlantic partner needed to give a serious signal on real cuts in trade-distorting domestic support. All countries, with the exception of the weakest, needed to make a contribution, particularly emerging economies. In July, neither Brazil nor India (nor other key emerging economies) had needed to reveal more of their cards on NAMA; that moment had yet to arrive. The developmental aspects, both offensive and defensive special and differential treatment (SDT), needed to be effectively integrated. Development should remain the overarching objective of the Doha Development Agenda and some issues (Aid for Trade, an enhanced Integrated Framework, duty-free and quota-free market access, or LDCs and cotton), should be moved forward on a fast-track basis. However, effective integration of SDT – where relevant – in the resulting agreements would imply a negotiated “scale of contributions” to the Doha negotiations from the developed countries through to the LDCs. Importantly, a pro-development outcome would require developing countries to accept an appropriate level of commitments. Regarding Aid for Trade, the EU had pledged to increase collective spending, with the expected overall increase in ODA and several other EU initiatives (e.g. EU-Africa partnership for infrastructure); these represented a platform for increased, demand-driven support.

3. The representative of **Brazil** recalled that the Director-General of the WTO had had no other option but to interrupt the Doha negotiations because of the difficult situation faced by WTO Members. The Director-General was now doing his best to ensure that the round resumed. Brazil would also very much like to see the round resume as soon as possible, but

was conscious that there was only a short window of opportunity. There were two central areas in the Doha negotiations where progress was needed – agriculture and development issues – and both were interlinked. These two elements needed to be placed at the heart of the multilateral trading system if negotiations were to be successful. Support existed for the successful conclusion of the round, but a degree of quiet diplomacy would be needed to reach it. The central blocking issue in the negotiations was the issue of agriculture and the interrelation between market access and domestic support. The major players had major responsibilities in unblocking these negotiations. Movement in agriculture would lead to a substantial improvement in market access, which was consistent with the Doha mandate and recognized the different conditions of developing countries. Real and effective cuts in domestic support on the part of the major players were needed; however, this did not necessarily mean a “dollar for dollar” exchange between trade-distorting policies in agriculture and market access. Major agricultural players who maintained trade-distorting policies and supported agriculture with billions of dollars of subsidies should now move to unblock them. Developing countries in a position to do so could thereafter do their part – in agriculture but also in NAMA and services – and remove some of the distortions, including anti-dumping measures.

4. The representative of **Kenya** said that the decision taken at Doha to place development at the centre of the negotiations had been a milestone. The aim was to address the development needs and concerns of developing countries by unblocking the potential of international trade to contribute to development and poverty reduction. Participating in the negotiations had a cost implication for Kenya and other developing countries, as it spent resources from its limited budget that could otherwise have been spent on education, medicine and shelters in order to ensure that it remained engaged and that the country’s interests were taken into account. The slow progress and the suspension of the round was a major concern to developing countries and they were now keen for negotiations to be resumed. Positions on core issues remained polarized after Hong Kong, and the lack of agreement on modalities in agriculture and NAMA prevented progress in all other areas, including the work on special and differential treatment and implementation issues. Kenya supported the immediate resumption of negotiations. A development-oriented conclusion would facilitate the integration of developing countries into the multilateral trading system and promote policy coherence at the multilateral level. A failure would signal lack of interest in development. Agriculture negotiations needed to remain at the core of the negotiations. A reduction in subsidies in developed countries would pull millions out of poverty; but only if accompanied by supply-side improvements. The Aid for Trade initiative was to be welcomed and UNCTAD should play a vital role in its implementation. UNCTAD’s analysis and research on negotiation issues, particularly on agriculture and NAMA, was appreciated and the international community and donors should assist UNCTAD to continue its analytical work.

5. The representative of **Mexico** said that international trade continued to be one of the engines of development. Developing countries had in recent years been a source of growth of international trade, and this had resulted in unprecedented sustainable and rapid economic growth. For economic growth to be sustainable, it was important to enhance the multilateral trade system. Mexico had a wide range of trade agreements, but attached the utmost importance to a solid multilateral system to foster development that provided predictability to economic actors and prevented commercial wars. Developing countries were the most affected by the rebirth of protectionist forces, and it was therefore important for negotiations to be resumed as soon as possible; this would require political will and flexibility from all

Members, and particularly from those countries with a key role to play in enabling the resumption. The agriculture issue should be resolved urgently in order to unblock negotiations; this required an improvement in the offer by the United States on domestic support and by the EU on market access in agriculture. In addition, satisfactory solutions should be found on NAMA, services and rules. This implied that all Members needed to demonstrate flexibility in taking into account the needs of LDCs and the adverse impacts of erosion of preferences, as well as the possible negative effects on developing countries. Effective market access, matched with special and differential treatment provisions, was the best contribution that could be made to the growth and development of developing countries. UNCTAD should continue to contribute to the negotiations through its three pillars: research and analysis, technical assistance and consensus-building.

6. The representative of **Canada** applauded the leadership of the Secretary-General of UNCTAD in implementing a number of new strategies for UNCTAD to fulfil its development mission and contribute to the fundamental policy debate. The collective efforts being made by member States to enhance the Integrated Framework (IF) served as a reminder that development was at the core of UNCTAD's work and the Doha round. Canada supported a successful conclusion of the Doha negotiations; an ambitious outcome in terms of market access, reductions in subsidies and strengthened trade rules would deliver the most significant gains to developing countries and LDCs. However, work on parallel issues such as the enhanced IF and Aid for Trade were critical elements that would create the conditions in which developing countries and LDCs could truly benefit from trade. Aid for Trade was part of the WTO agenda, was not conditional on the outcome of the Doha round, and was not attached to market access negotiations. Market access and strengthened rules were not in themselves enough; developing countries and LDCs required the necessary support to take advantage of the Doha round outcome and benefit from any market access provided. The IF Task Force and its recommendations had outlined key points for improving the IF as a mechanism to help bridge the gaps in institutional capacity in LDCs; this would make it possible for them to leverage opportunities available through trade liberalization and meet development challenges. Canada continued to support UNCTAD, particularly in the preparations for UNCTAD XII.

7. The representative of **Egypt** said that the Doha negotiations had reached a stalemate due to a clear lack of political will on the part of the major trading partners to address the main outstanding issues, particularly agriculture. Developing countries needed to gain true and unrestricted market access for their agricultural products if the negotiations on agriculture were to move forward. The negotiations on NAMA, services and special and differential treatment had been addressed in Hong Kong. However, there were still stumbling blocks such as NAMA and Aid for Trade which, when taken together with the issue of special and differential treatment, had been held hostage by the negotiations on agriculture. Member States had different perspectives: some viewed the negotiations from a purely market access perspective, while other developing country Members regarded them from a developmental angle. Thus, the challenge remained how to reconcile the two diverging perspectives. The credibility of the WTO and the multilateral trading system were at stake if the negotiations failed or were suspended indefinitely. Major trading partners had a responsibility to relaunch negotiations, and it was only through an ambitious outcome that the round's development objectives would be delivered. It was to be hoped that current consultations would result in an early resumption of the negotiations based on well-established mandates and that the right formula combining political will and honest leadership would be found for the round to be successfully concluded. For this to be achieved, key players would need to show the necessary

flexibility. It was important to take into consideration the wider international economic and trading system that went beyond the WTO and which was composed of bilateral and regional spaces, as well as the interfaces and linkages between the two.

8. The representative of the **United States of America** said that her country was disappointed over the suspension of the Doha negotiations, but remained committed to unblocking the negotiations. The United States was seeking a balanced, comprehensive and ambitious outcome across the board, including NAMA and services; agriculture was the key, and a solution there was the necessary condition for success, but it was not the sole condition. Economics rather than politics were the root cause of the suspension. The United States had already made significant proposals that would require changes to its subsidies programme, but its offer was not a "take it or leave it" proposition. Ambition was important not only in subsidies but also in market access, since the Doha mandate did not establish a hierarchy among agricultural pillars. Strong results in market access were particularly important, as the vast majority of the gains were expected from that pillar. The existing proposal did not meet the objective owing to high bound rates or various exceptions ("Black Box"). As regards NAMA, a substantial meaningful result to create real market access was needed, especially in the emerging countries, while taking into account the concern of small and vulnerable economies. The findings of UNCTAD's expert meetings showed that liberalization of services was critical, particularly in infrastructure, financial services, distribution, energy, telecom and logistics services. The United States was the largest single donor in the area of trade-related technical assistance, particularly for LDCs in the context of Aid for Trade. As a way forward, major players should launch initiatives and make significant contributions without waiting to see "who goes first". The United States was ready to do so by proposing additional cuts in its subsidies programmes provided that other key partners made improvements in agricultural market access. It was important to pursue quiet conversations in order to explore various options.

9. The representative of **Chile** recalled that UNCTAD had contributed to a greater understanding of the concept of development and performed valuable work and that its studies had had an impact on the debate on best practices on sustainable development. UNCTAD member States had discussed how UNCTAD should adapt its work to meet current needs, and how it should improve its efficiency to ensure that it could meet the challenges of a globalized world. UNCTAD should continue to provide developing countries with the best policy tools to allow them to reap the benefits of the multilateral trade system. The recent report by the Panel of Eminent Persons chaired by former Brazilian President, Mr. Cardozo, should play an important role in this debate. Organizations that were not able to face challenges risked becoming irrelevant. Referring to the discussion in the *Trade and Development Report 2006*, Chile noted that there had been no discussion of fishery subsidies. It was important for developing countries to address fishery subsidies, as they encouraged over-catch of marine resources, which was an environmental threat and diminished the competitiveness of other developing countries active in this sector.

10. The representative of **China**, referring to the suspension of the Doha round negotiations, pointed out that agriculture had been sidelined, along with other issues of importance to developing countries, such as special and differential treatment, non-tariff barriers, Customs duties and quotas. This had jeopardized the round's development content, as well as the multilateral trading system. The successful conclusion of the Doha round would be essential to improve the multilateral trading system for the purposes of development, poverty alleviation and achievement of the Millennium Development Goals.

Failure to conclude the round would most likely lead to increased protectionism, and this was not in the interest of developing countries. China had played a positive role in efforts to reach a successful completion of the Doha round and had worked constructively for an immediate resumption of negotiations. All countries now needed to demonstrate political will and flexibility and take time for thought. UNCTAD's three pillars could be used advantageously in this context to relaunch negotiations, establish confidence and give prominence to development, which could be expressed in practical terms through improved market access for developing countries, as well as special and differential treatment. This would enable developing countries to benefit from the Doha round. UNCTAD's work in assisting developing countries in the process of accession to the WTO was appreciated. China was conscious of the importance of supply capacity building, competitiveness and infrastructure building, as well as the importance of UNCTAD playing a role through Aid for Trade.

11. The representative of **Angola**, speaking on behalf of the **African Group**, said that African countries were participating in the Doha negotiations with the aim of using trade as an engine to achieve their trade and development goals. The African Group attached importance to reductions in trade barriers, including non-tariff barriers, imposed on products of export interest to African countries. The Group was also interested in the elimination of agricultural export subsidies and substantial reductions in domestic support, the enhancement of domestic policy space, and greater discretion in the use of a range of policy measures for building and strengthening supply response and competitiveness.

12. The suspension of the Doha negotiations should not lead to a lower level of ambition concerning the development objectives set out in the Doha mandate. Coherence between trade negotiation outcomes and the implementation of the MDGs should be ensured. African countries had high expectations on Aid for Trade, which should aim to generate financial resources commensurate with their needs. UNCTAD's technical assistance and capacity-building support in the Doha negotiations, in particular programmes such as JITAP, SADC services capacity-building, and general advisory and technical support for African countries, were appreciated. Africa now needed to work more towards supply capacity-building. UNCTAD was expected to be a key actor in any Aid for Trade mechanism at national, regional and global levels.

13. The African Group understood that multilateral liberalization could be substantial and rapid, but this was likely to impose immediate negative effects on many African countries in terms of preference erosion; fiscal revenue, output and employment losses; food import bills; and import surges. It was therefore necessary to find ways of mitigating the adjustment costs of liberalization and economic reform. It was to be hoped that such concerns could be taken into account in the final results of the Doha negotiations.

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