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REPORT OF THE COMMISSION ON TRADE IN GOODS AND SERVICES, AND COMMODITIES, ON ITS TENTH SESSION

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Chapter I

OPENING STATEMENTS

1. The Secretary-General of UNCTAD said that the Trade Commission provided an excellent forum for intensive policy dialogue on crucial issues in international trade. He urged member States to formulate ideas, conclusions and meaningful and substantive policy recommendations with a view to further strengthening the implementation of the São Paulo Consensus in terms of “assuring development gains from the international trading system and trade negotiations”. The deliberations of the high-level segment should help improve the work on and use of UNCTAD's new Trade and Development Index, particularly its focus on country-level experiences and policies and on developing partnerships in trade and development. The Commission could also focus on actions to mainstream commodities into poverty alleviation strategies and, in this context, support UNCTAD in starting work on the International Task Force on Commodities. Further, there was need for policy conclusions and strengthened national and international efforts on increasing the participation of developing countries in dynamic and new sectors of world trade, especially LDCs and African countries. He informed the Commission of the setting-up in UNCTAD of a Group of Eminent Person on Non-Tariff Barriers that would enhance UNCTAD's work in that area, and he urged donors to support this initiative, including the improvement of existing tools such as TRAINS. The Commission should also examine domestic policy instruments and strategies in respect of services development, as well as related supportive actions by the international community, to ensure that trade reform brought development gains with minimal adjustment costs. UNCTAD was at the forefront of studying developments at the interface of trade and the environment, including the trade and environment negotiations at the WTO, and providing countries with guidance and support. Finally, he pointed to the 97 per cent implementation rate of the subprogramme on international trade. This represented a substantial improvement over the previous biennium, despite a substantially increased mandate for the Trade Division arising from UNCTAD XI without any increase in resources.

2. The representative of Pakistan, speaking on behalf of the Group of 77 and China, urged the Trade Commission to make a meaningful contribution to the trade and development agenda discourse, which was its core mandate. The secretariat's background documents provided useful policy options that needed to be assessed and distilled into policy recommendations.

3. Developing countries had played a very constructive role before and during the Sixth WTO Ministerial Conference. The outcome of the Conference should allow a rebalancing of the Doha negotiations in favour of developing countries and promote the development dimension. Ensuring policy space for developing countries in order to promote development-oriented growth in agricultural, industrial and services sectors was of the utmost importance. The Commission should focus on how and to what extent the intent of Doha had been accomplished and on the role UNCTAD could play to help realize the full ambition of the Doha Development Agenda. The endorsement of aid for trade was welcomed. At the same time, it seemed to have a trade liberalization focus and must be designed and implemented in a manner that ensured a development orientation. To that end, a high-level policy dialogue would be essential. On commodities, the Commission could identify and agree on the best ways to strengthen the nexus between trade, food security and industrialization from a commodity base. Important factors in this regard included: South-South trade in commodities, including through the GSTP; implementing the decision on commodities of the
Sixth WTO Ministerial Conference; developing and testing innovative pilot strategies on commodity-based development programming; and finding adequate resources from development partners to implement the International Task Force on Commodities.

4. The Doha negotiations on agriculture and manufactures provided a good opportunity for developing countries to benefit from improved market access, particularly in industrialized country markets. However, non-tariff barriers (NTBs) were damaging the exports of developing countries, as they were harder to detect and define. UNCTAD had a clear role to play in assisting developing countries to assess the impact of NTBs on their exports and contributing to consensus building on NTBs, including in the Doha negotiations on non-agricultural market access. In that connection, he welcomed the setting up of the Group of Eminent Persons on NTBs. He attached utmost importance to the Commission's work on trade in services, including work on creating a coherent policy environment for trade in services supportive of development. WTO services negotiations needed to focus on development-friendly provisions and adhere to the principle of progressive liberalization encapsulated in the GATS. Developing countries attached importance to effective and commercially meaningful liberalization of temporary movement of natural persons (Mode 4), with priority for sectors of interest to them, and to GATS rules, particularly emergency safeguard measures. Document TD/B/COM.1/77 was extremely useful in providing a comprehensive analysis of possible gains from services liberalization and policy challenges facing developing countries, and UNCTAD's continued valuable support for developing countries on the WTO services negotiations was appreciated.

5. He expressed concern with the more stringent, complex and multidimensional environmental and related health requirements affecting the exports of developing countries. A balanced approach that led to shared trade and environmental gains was required. WTO rules and disciplines for limiting the trade-restrictiveness of environmental requirements were important, but the WTO could not directly address specific problems arising in the preparation and implementation of such requirements. UNCTAD could play a key role in providing technical assistance and capacity building to developing countries that needed to strengthen their institutional capacity to deal with environmental requirements. Some best practices had been identified in the secretariat documentation, and expert meetings had suggested specific actions that could be further analysed by the Commission with a view to developing a concrete action plan. UNCTAD's Consultative Task Force on Environmental Requirements and Market Access for Developing Countries (CTF) was a step in the right direction. He also welcomed UNCTAD's support for many developing countries in the WTO negotiations on the liberalization of international trade in environmental goods and services; its pivotal role in supporting developing countries in seizing trade and investment opportunities arising from the implementation of economically relevant multilateral environmental agreements; and the BioTrade Initiative and the recently launched Bio Fuels Initiative.

6. The representative of Sri Lanka, speaking on behalf of the Asian Group and China, said that the Asian region had emerged as a growth pole, but commodity issues remained at the core of recent development efforts. Some 91 per cent of the commodities trade of the region took place within the region itself. LDCs and SIDS remained commodity-dependent and vulnerable to price fluctuations. Thus, substantive discussions and international actions were needed on appropriate commodity policies aimed at fighting poverty. Measures could include an emphasis on commodities in the aid for trade initiative; participation of UNCTAD in implementing the decision on commodities taken by the Sixth
WTO Ministerial Conference; and financial support from donors for the International task Force on Commodities. She expressed appreciation for UNCTAD's distinctive work on market access, market entry and competitiveness of developing country exports and urged the Commission to take forward the international policy dialogue and research and analysis on these issues. She noted the policy options on trade in services contained in the secretariat's document (TD/B/COM.1/77) and requested the secretariat to extend its work on assessment of trade in services to a greater number of developing countries and sectors. UNCTAD's advisory and capacity building work on WTO services was extremely useful to Asian countries in terms of highlighting their key interests, including Mode 4 supply of services. She welcomed the secretariat's practical initiatives on sustainable development, such as the Consultative Task Force on Environmental Requirements and Market Access for Developing Countries, the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development, and the FAO/IFOAM/UNCTAD International Task Force on Harmonization and Equivalence in Organic Agriculture. She also welcomed UNCTAD's analytical, empirical and technical support for countries in the Asian region in connection with the liberalization of international trade in environmental goods and services. She attached great importance to the relationship between TRIPS and the Convention on Biological Diversity and welcomed UNCTAD's work in this area. She applauded UNCTAD's useful work on trade through its expert meetings, the post-Doha review by the Trade and Development Board, and the analysis and technical assistance activities of the Trade Division on the Doha negotiations, services assessment, dispute settlement, new and dynamic sectors, regional integration and WTO accession. In the context of UNCTAD's Mid-term Review, the Trade Commission should be enhanced and the profile of UNCTAD raised. UNCTAD's contribution to the implementation of the MDGs should also be enhanced, including through support for the operationalization of the New Asian-African Strategic Partnership and the Jakarta Declaration on the MDGs.

7. The representative of Guatemala, speaking on behalf of the Latin American and Caribbean Group, recalled the key role played by the Commission in the implementation of the São Paulo Consensus and in support of the WTO negotiations. In the area of commodities, UNCTAD should focus its efforts on supply chain analysis, risk analysis, assistance for compliance with technical standards and consumer protection requirements, export diversification in areas such as biofuels, and higher-value-added fishery products. In the area of market access, market entry and competitiveness, his Group attached utmost importance to UNCTAD’s work on new and dynamic sectors at the national, subregional and regional level; further work on methodologies for the classification and quantification of NTBs; and competition policy and consumer protection, in particular the COMPAL programme. In the area of trade in services, the Latin American and Caribbean group encouraged further statistical work by the UNCTAD secretariat, as well as technical assistance and assessment of services in countries in the region and advisory services on GATS negotiations. On trade and environment, UNCTAD should strengthen its BioTrade and BioFuels Initiatives in the Latin American and Caribbean region and its work on the impact of the EU Novel Food Regulation on exotic biodiversity products, as well as on other economic opportunities arising from multilateral environmental agreements.

8. The representative of Zimbabwe, speaking on behalf of the African Group, reaffirmed the importance of the São Paulo Consensus as a guide for the Commission's work and called for serious and constructive discussion on issues of concern to Africa, including achieving a more open, equitable, rule-based, predictable and non-discriminatory multilateral trading system. Africa was the region most highly dependent on commodities; 65 per cent of
total exports were accounted for by commodities, and about half the African countries derived 80 per cent of their export earnings from commodities. Such dependency rendered economies fragile and vulnerable to price fluctuations. He called on development partners to take full account of that reality in their approach to UNCTAD's work on commodities. On market access, market entry and competitiveness, he expressed concern about continued tariff barriers such as tariff peaks and escalation in the agricultural sector and their impact on development, especially in preventing greater value added of exports and diversification. The Commission should consider constructive proposals on these issues, including proposals on ways to improve market access for African exports in the WTO negotiations on agriculture and non-agricultural products. The market access pillar would need to be addressed in conjunction with supply capacity challenges, competitiveness and infant industries in Africa. Services liberalization did not automatically bring about development benefits, which depended on appropriate preconditions being met, including improved access by the poor to essential services and technological capacity and diffusion. The WTO services negotiations should not alter the structure of the GATS and its special and differential treatment aspects. He drew attention to paragraph 54 of the São Paulo Consensus on insurance and asked for further clarification on the reasons for dissolving the UNCTAD Insurance Branch and reducing the resources devoted to insurance and on the Secretary-General’s plans for this area of work.

9. The representative of Benin, speaking on behalf of the least developed countries (LDCs), said that the Commission was mandated by the São Paulo Consensus to advance ideas on development cooperation in order to facilitate the integration of LDCs and other developing countries into the international trading system. He highlighted the negative impact of the expiry of the WTO Textiles and Clothing Agreement on LDCs' trade and development prospects. Furthermore, UNCTAD's new Trade and Development Index showed the continued marginalization of LDCs in world trade due, among other things, to worsening terms of trade, lack of adequate infrastructure, weak institutions, and limited supply capacity. For example, from among the 100 countries surveyed, the best placed LDC was Uganda, which was ranked 86th. He welcomed the aid for trade package and hoped it would be translated into tangible benefits for LDCs in terms of improved supply capacity. The outcome of the Sixth WTO Ministerial Conference was welcome, but it had not fully met LDCs’ expectations, since certain key problems in the areas of cotton, agriculture, services and NAMA had not been addressed or their consideration had been postponed. The decision on duty-free and quota-free market access had not gone as far as the LDCs had expected, and it therefore needed to be improved further. On commodities, he supported the urgent activation of the International Task Force on Commodities and called on UNCTAD to make a contribution to the implementation of the Sixth WTO Ministerial Conference decision on commodities. He expressed appreciation for UNCTAD's decisive assistance to LDCs in their preparations for the Sixth WTO Ministerial Conference, including the adoption of the Livingstone Declaration setting out the LDCs’ platform, assistance to individual countries, JITAP, the Integrated Framework, and provision of analyses and information. On market access, market entry and competitiveness, he reiterated the need to operationalize duty-free and quota-free market access for LDCs, extend the product coverage, and remove non-tariff barriers, particularly those affecting natural-resource-based export products. On trade in services, he reiterated the need to implement in full the modalities for special treatment of LDCs, opening up access to Mode 4 and ensuring policy space. Another barrier to LDCs’ exports resulted from voluntary and obligatory environmental norms. A consultative and transparent framework was needed for discussion of such norms among the affected parties, and UNCTAD could play this useful role.
10. The representative of Austria, speaking on behalf of the European Union (EU) and the acceding countries of Bulgaria and Romania, said the EU was fully committed to playing its part in making UNCTAD an effective organization that would deliver benefits to all developing countries; the ongoing reforms should not diminish the status of UNCTAD but should ensure its efficiency and effectiveness. An effective and efficient session of the Commission would in turn allow UNCTAD to conduct an effective Mid-term Review. The work of the three Commissions constituted building blocks of UNCTAD's work and would be reviewed and evaluated in the Mid-Term Review as part of the “launching pad” approach. The EU looked forward to the presentation and discussions on the thought-provoking Trade and Development Index (TDI). On commodities, the EU supported UNCTAD's continuing work in this area, carried out in close cooperation with other relevant international organizations and agencies. It would be useful for UNCTAD to expand some of its analysis on policy implications, particularly as regards country-specific dimensions, as solutions to problems facing traditional commodity sectors must be implemented in the context of national development strategies. With regard to services, the EU found the analysis contained in the secretariat's document to be relevant. The main challenge facing developing countries was strengthening domestic services capacity, and developing countries that had attracted FDI had participated increasingly in trade in dynamic services sectors. South-South trade in services and the development of regional markets were also important. On trade, environment and development, liberalization of trade in environmental goods offered potential environmental benefits and increased trade – a real and highly visible win-win deliverable. The EU would enhance its technical assistance and capacity building in this area, with a greater focus on the need for developing country exporters to comply with environmental requirements in export markets. She called for strengthened bilateral cooperation among environmental regulators and for increased inter-agency coordination.

11. The representative of Sri Lanka, speaking in her capacity as Chairperson of the Committee of Participants of the GSTP, reported on the third round of GSTP negotiations, launched at UNCTAD XI, under two technical working groups, one on rule-making and one on market access. On rule-making, it was expected that, in the first semester of 2006, GSTP members would complete their consideration of the draft agreement on certification procedures and administrative cooperation pertaining to the updating of the existing GSTP rules of origin, adopted in the 1980s. GSTP members were also working on the criteria for determining the origin of a product. On market access, GSTP Members expected to reach agreement on the procedures for implementing tariff concessions in the first semester of 2006. This work had received important support from the UNCTAD secretariat, including the provision of requisite trade and tariff data. Specific provisions in favour of LDCs would form an important part of the techniques and modalities for market access. Several countries had expressed interest in joining the GSTP Agreement, including Burkina Faso, Burundi, Haiti, Madagascar, Mauritania, Rwanda, Suriname, Uganda and Uruguay.

12. The representative of Colombia reiterated the importance of the BioTrade and BioFuels Initiatives, in particular given their direct impact on the lives of many people. The Biofuels Initiative was a particularly welcome development, as it offered additional incentives in the fight against illicit crops and drugs. The impact of environmental standards was also an important area of work from which many developing countries would benefit.

13. The representative of Azerbaijan expressed appreciation to UNCTAD for the informal brainstorming meeting on the development dimension of the Doha Round on 31 January 2006. The event had helped provide a better understanding of the politics and
issues in the Doha Round. He attached great importance to the assessment of trade in goods and services at the national and international levels, as it provided countries with the knowledge necessary to make policy decisions. UNCTAD's work in the area of services was particularly important and should be continued. UNCTAD's expert meetings on trade were also very useful. Accession to WTO remained procedurally complicated and costly, entailing onerous concessions beyond existing flexibilities in WTO agreements and beyond the trade, development and financial capacities of acceding countries. In this regard, UNCTAD's assistance on accession had been of tremendous benefit, and more resources were needed to support such activities. He requested UNCTAD to provide dedicated analyses on the trade concerns, including the costs and benefits of trade liberalization, of landlocked developing countries, especially vulnerable ones like Azerbaijan.

14. The representative of the **Solomon Islands** stated that his country and most other Pacific island countries had specific geographic, economic and trading situations that made them very open to international trade, and despite their constraints, they believed that trade could be an engine of growth and development under the right conditions and with supportive measures from the international community. He therefore looked forward to a policy dialogue and consensus in the Trade Commission that could help improve the contribution of trade to development and attaining the MDGs. He underlined the importance of implementing the decision on duty-free and quota-free treatment for LDC products adopted at the Sixth WTO Ministerial conference, as well as proceeding quickly towards full product liberalization. For LDCs, however, building supply-side capacity to take advantage of increased market access opportunities was more important. The Integrated Framework and the aid for trade initiative could play a useful role in that regard and should thus be put into operation as rapidly as possible. He called on UNCTAD to play an active part in the aid for trade initiative in order to inject it with developmental features. His country had a special interest in the rules negotiations on fisheries subsidies in the WTO, and any new disciplines should not affect the trade and development interests of Pacific island countries. UNCTAD was encouraged to provide assistance in this area. He further emphasized the role of services in the development of Pacific island countries, especially Mode 4 and tourism services, and negotiations in the WTO should advance in these areas.

15. The representative of the **Russian Federation** said that UNCTAD had unique comparative advantages on trade and development issues. In this context, the analysis of developments and trends in the energy sector was of special importance to his country. Energy issues and energy security were also priority agenda items for Russia's chairmanship of the G-8 in 2006. Recommendations by UNCTAD in such areas as ensuring stability of supply, the relationship between energy and sustainable development, and efficient energy- and resource-saving technologies could be of considerable interest. A second area of special interest was WTO accession and the São Paulo mandate to UNCTAD to assist countries in their accession process. That assistance should be expanded to cover post-accession adjustment as well. In the area of commodities, he supported the UNCTAD XI initiative to set up the International Task Force on Commodities, and proposed considering the idea of setting up a working group on steel, as referred to in the report of Expert Meeting on Dynamic and New Sectors of World Trade.

16. The representative of **Thailand** said that UNCTAD could help developing countries in preparing for the Doha negotiations in 2006. The informal brainstorming meeting organized by UNCTAD on the development dimension of the Doha round had been very useful in terms of exchanging ideas and building consensus. Furthermore, through technical
assistance and capacity building programmes, UNCTAD could help countries to define the scope of negotiations and negotiating approaches to environmental goods and services as mandated by paragraph 31 of the WTO Doha Ministerial Declaration. She welcomed the outcomes of the Expert Meeting on Dynamic and New Sectors of World Trade and called on UNCTAD to continue its work on commodities and focus on renewable energy sources, such as biofuel.

17. The representative of Brazil expressed support for UNCTAD’s work on environmental goods and services, in particular in connection with the negotiations mandated by paragraph 31 of the WTO Doha Ministerial Declaration. He recommended that the secretariat should continue its analysis of the various aspects of the negotiations, in particular on CITES. The secretariat should strengthen its technical assistance and capacity building in developing countries, including through advisory missions and provision of statistics.

18. The representative of Iraq highlighted in particular the role played by UNCTAD in supporting Iraq’s process of accession to the WTO. He called for further technical assistance and capacity building from UNCTAD, given the tremendous development challenges that Iraq was facing in trying to access world markets and attract FDI.

19. The representative of China pointed to the importance of market access, market entry and competitiveness issues, in particular the impact of NTBs. He also underscored the relationship between trade and environment and the attendant impact on development.

20. The representative of the Economic Commission for Europe (UNECE) noted the useful cooperation between UNECE and UNCTAD. During the Sixth WTO Ministerial Conference, UNCTAD and UNECE had jointly organized a meeting of all UN agencies where they had agreed to work together during the next two years to organize a joint meeting as a parallel event at the next WTO Ministerial Conference. This would highlight how the UN family could help member States in preparing for WTO negotiations and in implementing the resulting obligations. She highlighted the useful work of the EC-ESA Trade Cluster, chaired by UNCTAD, in facilitating joint strategic planning and decision making among UN agencies active in the area of trade. She also highlighted the role the UNECE played for countries with economies in transition and for developing countries in the development and implementation of uniform norms and standards and in the harmonization of existing technical regulations. This also included work on trade facilitation, often carried out in cooperation with UNCTAD.

21. The representative of Third World Network emphasized the unique and important role that UNCTAD played in the UN and international system as the foremost institution assisting developing countries in building their development capacity. He urged UNCTAD to establish the International Task Force on Commodities rapidly. He expressed concern that the Doha negotiations had still not delivered increased market access for developing countries, yet those same countries were being asked to reduce their industrial tariffs and open up significantly in agriculture. Excessive liberalization could lead to dislocation of local firms and farms. UNCTAD should intensify its research and assistance to developing countries on trade policy and negotiations, so that developing countries could minimize the costs and realize the gains.

22. The representative of Indonesia said UNCTAD had a prominent role to play in spearheading developing countries’ efforts to secure a more favourable trading system that responded to their development imperatives. It could help with the follow-up on the new
Asian-African Strategic Partnership, for example. Also, the Trade Commission's work was important in the context of the MDGs and the WTO negotiations. He endorsed the work of UNCTAD in exploring commodity policies for development, as described in document TD/B/COM.1/75. It would be particularly important to expand the participation of developing countries in global supply chains and expand their commodity supply capacities. Such work would form part of the follow-up to the 2005 World Summit outcome. On market access, market entry and competitiveness, he reiterated the need for continued support for developing countries from UNCTAD in respect of formulating development policies, including on standards and standard setting; negotiations; and work on NTBs and their impact on supply capacity, market access and competitiveness. On services, he emphasized that the global framework on services should allow developing countries to open up at a pace consistent with their level of development. UNCTAD could make valuable contributions in respect of elaborating policies to improve services supply capacity. UNCTAD's pioneering work on Mode 4 should also continue. Furthermore, there was a need for technical assistance in analysing statistical data and building regulatory capacity. He commended the meaningful work of UNCTAD in assisting developing countries to build up their negotiating capacity and participate constructively in the WTO negotiations on environmental goods.
Chapter II

HIGH-LEVEL EVENT ON CLIMBING THE TRADE AND DEVELOPMENT LADDER: TRADE AND DEVELOPMENT INDEX

Chairman's summary

23. The High-Level Event considered the new UNCTAD annual report, *Developing Countries in International Trade 2005*, in which the secretariat had developed the Trade and Development Index (TDI) with the support of Nobel Laureate Professor Lawrence Klein. The TDI: (a) monitors, benchmarks and ranks the trade and development performances of all countries by quantifying interactions among factors affecting a country's foreign trade and its human development; (b) provides a framework for national and international policymakers to keep world trade in the service of development and poverty reduction; and (c) helps Governments diagnose constraints in their trade and development performance, providing tools for improving national policies in this regard. The Secretary-General of UNCTAD said that the TDI was a work in progress to systematically analyse the complex interaction between trade and development and, in the process, to monitor how countries were performing in terms of factors that determined a positive interaction between these two processes.

24. Ms. Massivatou Latoundji Loriano, Minister of Industry, Trade and Employment Promotion of Benin, emphasized that the TDI framework should be able to provide developing countries, especially least developed countries (LDCs), not only with a device for monitoring their economies, but also with an instrument to understand trade and development deficits and measure them. The TDI framework was promising because it gave a holistic picture of trade and development interaction against specific domestic conditions. UNCTAD's work on TDI should continue with a more detailed focus on developing and least developed countries by considering their specific domestic realities.

25. Mr. Enrique Manalo, Ambassador of the Philippines, said that the TDI framework could be enriched by considering some other indicators, such as mobile phone connectivity and personal computer density. Mr. Carlo Trojan, Ambassador of the European Union, underlined the significance of the TDI framework, as well as its results. In his view, the methodology applied to construct the TDI was well thought out, and it captured appropriately the interaction that the report wanted to highlight. The TDI framework could be further refined, and he emphasized the relevance of such a framework and analysis in the context of development cooperation and partnership.

26. The panel of experts representing academic institutions, think tanks and the private sector put forward their views on the TDI and its applicability, as well as the value added in the area of development policymaking. Ms. Roopa Purushothaman (Goldman Sachs) emphasized that the TDI and the Growth Environment Score (GES) had many common features and could be used by country policymakers, international organizations and business communities to understand the situation at the country level. She focused on the rising economic and political significance of large emerging economies, namely Brazil, the Russian Federation, India and China. The TDI framework could actually help analyse their global presence and importance. Mr. David Roodman, Centre for Global Development (United States of America), discussed the TDI and the Centre's Commitment to Development Index.
(CDI). In his view, the TDI framework needed to be further refined in order to be made clearer. Mr. Salahuddin Ahmad, Uttara University Business School (Bangladesh), contrasted the TDI framework with poverty reduction strategies and the employment agenda in an LDC like Bangladesh.

27. Participants expressed appreciation for UNCTAD’s report *Developing Countries in International Trade 2005* and its Trade and Development Index. They welcomed UNCTAD’s efforts in elaborating the TDI and emphasized its practical utility as a monitoring and policy tool. They also shared the principal policy conclusion of the TDI analysis that trade policies should be developed hand in hand with long-term development policies, which warranted greater coherence between international trade rules and support for broad-based trade and development strategies, including development solidarity and partnership. Constructive comments and suggestions were made aimed at: further enhancing of the TDI framework; its applicability at the country level; and its use in monitoring the development gains from international trade and the trading system, as well as in development cooperation. In further refining the TDI and disseminating its results, UNCTAD was requested to continue to consult with member States, international organizations, civil society, including the media, academia and concerned private sector entities.

28. Participants requested UNCTAD to use the TDI framework to undertake country-level and thematic work and to prepare a study on progress in the implementation of the Brussels Programme of Action for LDCs for the Decade 2001-2010, and to make the study available to the Mid-Term Review of that Programme in September 2006. Participants welcomed the intention of the Secretary-General of UNCTAD to constitute an Advisory Board to guide future work on the TDI, and took note of the key theme of the 2006 issue of *Developing Countries in International Trade*, namely institutions for trade and development. The donor community was invited to provide appropriate support to future work on the TDI.
Chapter III
COMMODITIES AND DEVELOPMENT

Chairman's summary

29. The Director of the Division on International Trade in Goods and Services, and Commodities introduced the agenda item and secretariat's document (TD/B/COM.1/75). She pointed out three paradoxes concerning commodities. First, the share of commodities in world trade had declined from a third to a quarter, but most developing countries were just as dependent on commodity exports now as before. Second, developing countries were rich in commodity resources but had ceded control over these resources, failing to use them as a springboard for broad-based sustainable development. Third, liberalization in developing countries had not released dynamic forces but had left an institutional vacuum instead; with the domestic private sector unable to replace government agencies, the field had been left open for uncompetitive practices and subsidized developed country exports. She reiterated that, at UNCTAD XI, Governments had launched the International Task Force on Commodities (ITFC), and despite the interest shown by the developing countries, the private sector and civil society, the Task Force had not yet become operational for lack of financial contributions. She urged UNCTAD member States and donors to remedy this situation.

30. The need to integrate relevant aspects of commodity policies into poverty reduction programmes fell within the competence of Governments of individual developing countries, but success was unlikely without a supportive international environment and sufficient as well as effective and targeted international assistance. Good commodity sector policies and programmes could form the core of a more ambitious approach to poverty reduction, based on giving poor people an opportunity to lift themselves out of poverty, supported by the international community.

A. Commodity problems and the International Task Force on Commodities

31. Participants recognized that development of the commodity sector was a prerequisite for progress in poverty reduction and for realizing the benefits of globalization in developing countries, particularly LDCs and small island developing States. Declining commodity terms of trade and excessive fluctuations in prices continued to pose problems in spite of the recent upsurge in the prices for some commodities. New market realities had increased exigencies and made more difficult the participation of small producers and traders in global commodity chains. International and national development programmes should take these fundamental characteristics into account. Innovative means of sourcing funds should be found to assist diversification of production, improve on quality and increase competitiveness. It was widely recognized that the ITFC could be effective in dealing with commodity problems, *inter alia* by providing a sustained, comprehensive and systematic consultative framework within which to share good practices and policies.

32. The need to promote South-South commodity trade was stressed. Participants urged developing country Governments to facilitate regional commodity trade and to remove barriers to trade resulting from deficiencies in physical, administrative and commercial infrastructure. They urged developed country Governments to support these efforts through increased technical and financial assistance.
33. Participants welcomed the progress made on agriculture at the 6th WTO Ministerial Conference and emphasized the importance of continued progress, particularly in market access and reductions in domestic support, to strengthen the contribution of the commodity sector to growth in developing countries. Participants welcomed paragraph 55 of the Hong Kong Ministerial Declaration on commodities and urged UNCTAD to play an appropriate role in its implementation, in line with its development mandate.

B. Integrating small farmers into global supply chains

34. Participants acknowledged the innovativeness and practicality of using a value-chain approach to work on commodities, particularly since this approach allowed the identification of challenges faced by small farmers in commodity-dependent developing countries, including that of complying with official and private product and process standards in developed country markets. In this context, participants recognized the value of UNCTAD's activities in agri-food safety and SPS compliance in some African countries, including for follow-up programmes on the implementation of Good Agricultural Practices (GAP) and Good Manufacturing Practices (GMP) in post-harvest activities and safety assurance systems such as HAACP, EUREPGAP and ISO 9000. Participants invited the international community to intensify efforts to support UNCTAD's assistance to developing countries in this endeavour.

35. Participants also noted with appreciation UNCTAD's work on assisting small producers in developing countries to establish links with developed country customers, as in the project to link small farmers in Ghana and Mozambique with Swiss supermarkets.

36. Strategic commodity-related information and market intelligence were seen as key factors to improve competitiveness and enhance the functioning of commodity sectors. Means to reduce asymmetry in accessing and using such information should be encouraged. As each commodity was unique, detailed and taxonomical information was needed. Participants welcomed the impressive progress made by UNCTAD in providing stakeholders with relevant and orderly market intelligence, including through the electronic portal InfoComm and the communal system InfoShare. They stressed that UNCTAD should continue developing informational tools linking market intelligence and knowledge management while strengthening the capacity of commodity-dependent countries.

C. Strengthening commodity trade and finance institutions

37. Participants said that innovation in delivering financial services was a necessity if the opportunities offered by globalization were to be realized, including in Africa. Such innovation should focus on both traditional North-South finance flows and on returning some of the large amounts of capital kept offshore for financing commodity sector development. In addition to asset-backed securitization and structured finance, the development of alternative investment instruments was needed to provide new tools to overcome financing constraints.

38. Participants praised UNCTAD's role in spreading understanding of new instruments for commodity finance among domestic banks in developing countries. They also stressed the importance of related work in the energy sector, such as the annual African Oil and Gas Trade and Finance Conferences and the expert consultation on oil import procurement organized in December 2005. Participants called on UNCTAD's work in this area to be strengthened, in particular through an intensification of country-level work.
39. Several participants acknowledged the importance of commodity exchanges. Such institution-building offered new risk management instruments and facilitated commodity finance. The contribution that UNCTAD had made to commodity exchange development, for example in India, was welcomed. African countries expressed their strong desire that UNCTAD should intensify its efforts towards the creation of an African commodity exchange, which the African Union had recently endorsed as one of its priorities.

D. Improving the management of commodity resources

40. Participants acknowledged UNCTAD's long experience in addressing issues associated with macroeconomic balance in natural-resource-rich developing countries. The oft-quoted problems associated with “resource curse” such as Dutch Disease and resource rent abuse could be addressed in particular by learning from the experience of countries that had adopted best practices. The value of UNCTAD's work in these areas, part of which was done in cooperation with the International Council on Mining and Metals and the World Bank, was recognized, as was the importance of the networks for exchange of information on mining and development issues that UNCTAD had established in Africa and Latin America. These had shown that there were win-win scenarios, but only if companies made a distinction between corporate responsibility for development and charity and if Governments were prepared to shoulder their part of the responsibility.
Chapter IV

MARKET ACCESS, MARKET ENTRY AND COMPETITIVENESS

Chairman’s summary

41. The Director of the Division on International Trade in Goods and Services, and Commodities presented the note prepared by the UNCTAD secretariat (TD/B/COM.1/76) and highlighted trends in trade and tariffs; market access issues in the Doha Round; salient issues relating to non-tariff barriers (NTBs); adjustment to trade liberalization and the concept of “aid for trade”; and determinants of competitive export performance. Special attention was given to dynamic and new sectors of world trade.

A. Dynamic and new sectors of world trade

42. The report of the second Expert Meeting on sectoral reviews of dynamic and new sectors of world trade (electronics, fish and fisheries products, steel) was presented. On the electronics sector, participants said that the critical impediments to a successful developing country strategy included: underdevelopment of human resources and low levels of education; lack of competitiveness and/or comparative advantage, in particular economies of scale; and low levels of development in general and of supporting infrastructure in particular. The rising tide of NTBs such as technical barriers based on environmental and health considerations in the electronics sector was seen as a matter of growing concern. Conversely, the opportunity provided by corporate social responsibility (CSR) as a potential driver to channel TNCs’ investment into the electronics sector of developing countries, particularly LDCs, should be fully exploited. Donor Governments and international organizations could help by facilitating this process. At the same time, Governments had the primary responsibility to implement supportive policies for employment, education and training, and adjustment, while working closely with the private sector. As a practical follow-up, a subregional pilot programme on electronics in Africa was being launched by UNCTAD and Philips.

43. As regards fish and fishery products, participants noted that obstacles to market access and entry, such as increasingly stringent and technologically challenging sanitary and other quality requirements, limited export opportunities of developing countries. Technical assistance for developing countries in the design and implementation of strategies and plans for sustainable fisheries, such as fishing agreements, improved access to international markets. The development of aquaculture and better access to finance were considered to be necessary. Small-scale aquaculture had demonstrated its potential to enhance development and contribute to poverty reduction. UNCTAD could play a supportive role in this area.

44. As regards the steel sector, it was noted by participants that trade defense measures (TDMs) created serious barriers to trade. Furthermore, steel subsidies were highest in developed countries, and internal prices in these countries were above world market prices. The need to establish discipline on the use of TDMs was underlined. Some participants said that the creation of a global steel agreement to steady and guide the steel industry was an option for addressing problems in this sector. Others said that the desirability of creating a Working Group on Steel under UNCTAD auspices should be explored to provide a forum for producers and consumers.
B. Trends in trade flows and tariffs

45. Participants noted that during the period 1990-2004, the nominal value of exports from developing countries had increased more than fivefold. The nominal value of LDCs' exports had increased by almost 260 per cent over the same period. Trade among developing countries had also intensified substantially since the 1990s. The composition of manufactures revealed that the share of high-skill manufactures had almost doubled for developing countries as a whole (from 16.8 to 32.7 per cent), while it had decreased by one third for LDCs (from 3 to 2 per cent). Participation of many developing countries in dynamic and new sectors of world trade was acting as both a driver and an outcome of the changing geography of international trade. However, LDCs and African countries were bypassed by these sectors, and strengthened national and international efforts in their favour were therefore required. UNCTAD was requested to continue its analytical, consensus building and capacity building work in this area.

46. Some participants noted that tariff protection in developing countries had fallen dramatically. In 1990, developing countries had been applying an average effective tariff rate (expressed in weighted terms) of 24 per cent on imports of manufactures from other developing countries. In 2004 this figure had been only 8.94 per cent. At the same time, tariff peaks and tariff escalation remained important concerns for developing countries that required consideration and negotiated solutions, particularly in the Doha Round. Participants requested UNCTAD to strengthen its analytical and trade information work on tariffs and trade to support developing countries in assessing the impact and contribution of tariffs to development.

C. Market access issues in the Doha Round

47. Participants noted that the Hong Kong Ministerial Conference had decided, for the first time, to ensure that there would be a comparably high level of ambition in market access for agriculture and NAMA. This ambition was to be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment. It was recognized that special attention should be given to full modalities for tariff-reduction that would allow better market access for exports from developing countries. Some participants also underscored that sector-by-sector negotiations were a useful instrument to reflect developing country market access interests. It was widely recognized that NTBs were serious export constraints for developing countries. A parallel was drawn between negotiations on tariffs and NTBs. Inputs from UNCTAD to assist developing countries to identify existing NTBs were strongly encouraged. The agreement at the 6th WTO Ministerial Conference on duty-free and quota-free market access for LDCs was considered an important step forward toward the objective of achieving full duty-free and quota-free treatment of all exports from LDCs. UNCTAD was called on by participants to help analyse the implementation of this undertaking.

D. Non-tariff barriers (NTBs)

48. The report of the Expert Meeting on Methodologies, Classifications, Quantification and Development Impacts of Non-Tariff Barriers was presented. NTBs, acting both as protection and regulatory trade instruments, were becoming front-stage market access concerns. This was not merely a North-South issue; there were serious NTBs affecting
North-North and South-South trade as well. However, the lack of a commonly recognized international definition and classification of NTBs made research and analysis of NTBs difficult and non-reliable. A clearer understanding of NTBs’ definition and classification and the availability of reliable and detailed data were critical prerequisites for reliable quantification, improved analysis and negotiation of better market access.

49. Some participants stated that higher NTBs were concentrated in developed countries and were very sector-specific. Customs and administrative procedures, technical barriers to trade and stringent rules of origin were mostly problems for North-South trade, while customs and administrative procedures and charges on imports were problems for South-South trade. The most significant sectors affected by NTBs were fishery products, electrical equipment, pharmaceuticals, textiles and clothing, the automotive sector and food products. International standards were also important concerns of developing countries. Meeting such requirements was a serious issue warranting adequate consideration.

50. Participants requested UNCTAD to improve its current classification of NTBs by identifying and adding new NTBs to its classification. As a longer-term agenda, UNCTAD should focus on better defining, classifying and quantifying NTBs, in cooperation with all relevant stakeholders. In the short term, UNCTAD should help trade negotiators of developing countries to build their capacities to deal with NTB-related negotiating issues. It should improve its analysis of the effects of NTBs on supply capacity, competitiveness and market access/entry conditions. UNCTAD, working with all concerned organizations and with timely and sustainable support from the donor community, in particular as part of the "Aid for Trade" initiative, should establish a network of national focal points in developing countries to help improve collection and analysis of data on NTBs. The initiative of the Secretary-General of UNCTAD to set up a Group of Eminent Persons on NTBs was welcomed. UNCTAD's work on NTBs should be adequately strengthened.

E. Competitive export performance, supply capacity building and adjustment to trade liberalization

51. Participants noted that recent empirical research by UNCTAD into the determinants of export performance of developing countries highlighted the importance of both demand and supply-side factors. External factors were related to market access conditions and factors such as transportation costs which affected competitiveness. Internal factors included supply-side conditions. It was stressed that foreign market access and supply capacity had to be considered equally important in the development of the external sector. Important elements of supply capacity at the early stage of development of the external sector were transport infrastructure and macroeconomic stability.

52. Some participants emphasized that gains from multilateral trade liberalization would not be evenly spread among sectors or countries, and thus required appropriate adjustment measures. Such adjustment, especially supply response, could take a long time to materialize, as evidenced by the experience of some LDCs. There was therefore a need to address, in a systematic way, adjustment problems in developing countries, particularly in LDCs. International cooperation such as adequate and good-quality "Aid for Trade" could play an important role in strengthening supply capacity and to help with adjustment to trade reforms, including through human capacity building in the area of trade analysis. Participants requested UNCTAD to continue and strengthen its analytical work on the development
impact of market access outcomes of the ongoing Doha Round, including work on adjustments to trade reforms and building on the TDI framework. UNCTAD was requested to submit an analytical study on market access issues of LDCs to the Mid-term Review on the Programme of Action for LDCs. It was emphasized that UNCTAD should be a full participant in the process of "Aid for Trade" operationalization and implementation. The donor community was invited to provide support to UNCTAD's work in these areas.

53. Developments in GSTP negotiations were welcomed and further progress encouraged in order to strengthen South-South trade.

54. Participants expressed appreciation for UNCTAD's unique work on building competition and consumer law and policy, and requested UNCTAD to strengthen such work.
Chapter V

TRADE IN SERVICES AND DEVELOPMENT IMPLICATIONS

Chairman's summary

55. The Director of the Division of International Trade in Goods and Services, and Commodities presented UNCTAD’s note (TD/B/COM.1/77) and highlighted: (i) global trends on trade in services, participation of developing countries and LDCs in world trade in services, and how the development impact of these processes could be monitored through development benchmarks; (ii) conclusions and lessons derived from work undertaken by UNCTAD on assessment of trade in services at the national level; and (iii) key developments in the GATS negotiations. The reports of two UNCTAD Expert Meetings on services were presented by the respective chairpersons. On distribution services, a better understanding had been achieved in such areas as market drivers, specific development issues and issues of interest to business, issues related to regulations and the associated competitive framework, as well as the role of the multilateral trading system. In the area of insurance services and regulatory frameworks, a better understanding had been achieved of the link between insurance services and macroeconomic factors; challenges faced by developing countries and LDCs, particularly in respect of regulatory frameworks and building human capital and supply capacity; the role of Governments; and commitments under the GATS. Specific attention was given to the African insurance sector. Participants commended UNCTAD's background notes for the Commission and for the Expert Meetings for the novelty of the ideas presented and the quality and usefulness of the research and policy recommendations.

56. UNCTAD's assessments of trade in services were discussed on the basis of sectoral studies conducted in Ecuador, El Salvador, Indonesia, Jordan and Kenya with support from several donors. It was suggested that a better understanding of the development implications of services could be achieved through increased attention to key development parameters in the areas of welfare creation, the impact of liberalization on access to essential services, the impact on employment, adjustment costs, domestic supply capacity and competitiveness, especially of SMEs, distribution of gains within and between countries, the impact of FDI, the export performance of developing countries, and the openness of the services economy to exports from developing countries. Different methodologies were reviewed and new approaches suggested for the future work of UNCTAD. Statistical data limitations were highlighted in all studies. Necessary actions were sought from the international community to support developing countries in improving services data availability.

57. Participants noted that services continued to gain importance in terms of GDP, and their role was even more prominent in employment creation, including for the poor. Through backward/forward linkages with the rest of the economy, services had become crucial in enhancing countries’ efficiency and competitiveness. The contribution of developing countries to services exports, though significant regionally, remained only marginal in international markets, since their comparative advantage was often based on Mode-4-related trade. Mode-4-related remittances had been an important source of hard currency transfers in many developing countries and the main driver for the development of the services economy. Developing countries were committed to services reform and liberalization as a way of enhancing welfare through increased efficiency, competition, lower prices and greater choice for consumers. Reforms in telecommunication services had attested to that success.
58. At the same time, efforts in developing countries had not been fully effective in preparing their services sector for the challenges posed by liberalization and globalization. Even where regulations were in place, they might not be effective in influencing trade in services. Rationalizing regulations had become very important for sustainable liberalization of developing countries’ services markets. Without regulatory reform supported by competition policy, negative outcomes had emerged. On the one hand, inappropriate regulation aimed at liberalizing the market had resulted in market concentration. Where markets had been characterized by an oligopolistic structure, their opening up to trade without appropriate regulatory reform and competition policy had resulted in change of ownership from domestic to foreign without any impact on market structure and efficiency gains. Alternatively, regulations had at times evolved to protect established interests of foreign investors and limit the possibility of new entrants.

59. Participants noted that the liberalization of services trade had often resulted in market segmentation, where the low-value market segment requiring small investments had been retained by national service providers, with foreign ones concentrating in the higher income segments. To enhance domestic supply capacity, policy measures were necessary to encourage transfer of technology, promote utilization of local capacities, and enhance adherence to standards and quality. Supporting policies, especially in respect of SMEs, would be necessary to facilitate access to capital, distribution networks and development of human capital and entrepreneurship. Measures minimizing adjustment costs would need to be put in place to mitigate the rising costs of physical assets or employment displacement. Careful and cautious sequencing and calibration of reform and liberalization was recognized by participants as the best way to ensure sustainability of reform. Similarly, carefully matching liberalization efforts at both the multilateral and the regional level would need to be pursued. Developed countries could play an important role in promoting an open trading environment under conditions of fair competition and in working towards achieving the aims of GATS Article IV, including by improving access for developing country services to developed country markets in sectors and modes of priority interest to developing countries, particularly Mode 4.

60. Participants concurred that liberalization did not automatically result in economic growth, unless appropriate preconditions were in place, including proper flanking policies, regulatory preparedness, the development of competition policies and laws, support for domestic supply capacity building, and policies to enhance transfer of technology. Helping developing countries build domestic infrastructures, institutions, systems and enterprises that would form the foundation of effective international competitiveness and development was critical. Those countries that had benefited the most were those that had taken charge of their own destiny and recognized the role that government could play in development rather than relying on the notion of a self-regulated market that would fix its own problems.

61. In reviewing the results of the WTO Hong Kong Ministerial Conference, particular focus was given to Annex C of the Ministerial Declaration. For some, Annex C was a response to the need for overall balance in the Doha Round, with services talks having lagged behind agriculture and NAMA. For others, the 2001 Negotiating Guidelines already constituted the modalities, and together with GATS and LDC Modalities, remained the basis for negotiations. Many developing countries expressed concern about the processes mandated by Annex C. They also expressed concern about complementary approaches, particularly
quantitative benchmarking and plurilateral negotiations. Participants stressed the need for close interaction between Geneva and capitals, political will and leadership, as well as for ensuring balance between market access, rules and development issues. Reference was also made to different countries’ different abilities when it came to enjoying the “rights” and flexibilities granted by the GATS.

62. On market access, GATS Articles IV and XIX were identified as the main development pillars. The plurilateral approach was considered an option, being voluntary in nature and complementary to the request-offer process, which remained the main method of negotiation. Plurilateral negotiations were considered a means of speeding up the process, and participants expressed both optimism and caution as regards the ability of developing countries to engage successfully in the process. Plurilateral talks could focus on certain selected areas, namely Mode 4, telecommunications, financial, energy and professional services.

63. Many participants said that Mode 4 remained a central component of any market access work due to its developmental importance for developing countries. However, many schedules remained unbound in areas of potential for developing countries, and Members' failure to move forward was of great concern to developing countries. Mode 4 was an area of universal interest to the WTO membership, and while some emphasized its developmental contribution (including as regards low-skilled movement), others cautioned that any work on Mode 4 should remain within the boundaries of the GATS framework. Reference was made to the development-enhancing potential arising from Mode 1 trade and to the need for commitments – particularly by developed trading partners – under Modes 1, 3, and 4 for certain services sectors (e.g. computer and related services, as well as call-centre services).

64. Some suggested that the LDC Modalities could provide impetus for further Mode 4 liberalization, but their operationalization and implementation remained a challenge. Reference was also made to the need for preferential mechanisms, along the lines of paragraph 7 of the LDC Modalities. Another view referred to difficulties as regards replicating the 1979 Enabling Clause (in goods) for services. At the same time, S&D (special and differential) treatment should be an integral element of multilateral trade negotiations.

65. Domestic regulation was addressed, including its impact on policy space. Participants pointed to the need for balance between future disciplines and the right to regulate. The negotiations on domestic regulations could add precision to current GATS language and propose parameters that domestic regulators could rely on. Another issue related to the choice between horizontal and sectoral disciplines. Many developing countries were facing challenges in negotiating domestic regulations, since their domestic regulatory frameworks were still in their infancy or specific regulations were missing altogether. Many participants expressed the need for an Emergency Safeguard Measure (ESM). Others raised questions, suggesting that negotiations on ESMs included conceptually challenging questions, including in the area of S&D.

66. The flexibilities that the GATS provided for developing countries and LDCs were considered a balancing element for the liberalization of services trade and in making progress in the services negotiations. However, flexibility did not imply that developing countries should refrain from engaging in the negotiations. It was also important to accord particular attention to the size and level of development of developing countries, including by
acknowledging the special constraints and needs of small economies and small service suppliers in developing countries. Targeted technical assistance for developing countries, particularly with a view to addressing their supply-side constraints, was a fundamental precondition. Given the particular situation of newly acceded countries, they could possibly benefit from the LDC exemption in terms of services commitments.

67. An assessment of the impact of liberalization was needed to assist developing countries in formulating their policy decisions in areas that required further reform; to identify actions needed to support the development of sectors; and also to devise an appropriate negotiating strategy. Assessment was an ongoing exercise under the GATS, and participants pointed to the need to comply with the Negotiating Guidelines, which mandated that the negotiations be adjusted in light of the results of an assessment.

68. In the broader development discourse, it was important to analyse how the multilateral trading system was addressing issues like striking the balance between efficiency and equity; minimizing the social negative impact of globalization; recognizing policy space; deepening coherence; and enhancing synergies between different policies, countries and institutions.

69. Participants commended UNCTAD for its valuable work on services and stressed the importance of continuing UNCTAD's unique work on assessment of trade in services and regulatory capacity building in developing countries, as well as in support of services negotiations and rule making. They invited donors to extend their financial support to UNCTAD's capacity-building work on trade in services.
Chapter VI
TRADE, ENVIRONMENT AND DEVELOPMENT

Chairman's summary

70. The Director of the Division on International Trade in Goods and Services, and Commodities presented the note prepared by UNCTAD secretariat (TD/B/COM.1/79) and highlighted the increasing public attention paid to environmental issues and related health and safety concerns and their effect on trade, including on organic agriculture; the complex nature of the WTO negotiations on trade and environment, and their potential development impact; issues relating to the protection, preservation and sustainable use of traditional knowledge; and UNCTAD's work on biotrade and biofuels in providing meaningful trade, investment and sustainable development opportunities in the context of multilateral agreements such as the Convention on Biodiversity, the Convention on International Trade in Endangered Species, and the Framework Convention on Climate Change and its Kyoto Protocol.

A. Trade and sustainable development

71. Many participants welcomed the Trade and Environment Review 2006, which focused on environmental requirements (ERs) and market access for developing countries. They expressed their concern that new ERs were increasingly perceived as barriers to market access. Developing countries needed to adopt a more strategic and proactive approach to deal effectively with ERs in key export markets; and developed countries needed to enhance inclusiveness and transparency in the development and review of new ERs, as well as the ex ante assessment of their impact. Appreciation was expressed by participants for the work carried out by UNCTAD's Consultative Task Force on Environmental Requirements and Market Access for Developing Countries (CTF). Continued activities under this project could help to facilitate access to information on ERs, mitigate their potential negative impacts, and identify trade and sustainable development opportunities resulting from increased environmental concerns. Participants stressed that developing countries required technical assistance to participate effectively in standard-setting consultations; UNCTAD played a useful role in this regard, and its work should be strengthened and supported.

72. Participants encouraged the CTF to continue its efforts to facilitate a dialogue between public and private stakeholders on the impact of and adjustment to voluntary, private-sector-set ERs. Work on the EurepGAP standard as it related to horticultural exports of developing countries was a very interesting example. It was clarified that UNCTAD's work relating to EurepGAP codes of practice did not mean that UNCTAD was endorsing any particular set of private standards. Some participants noted that NTBs had received insufficient attention at the WTO compared to tariffs, and that UNCTAD should continue to provide useful inputs on the findings of its work on ERs and market access to the appropriate WTO bodies. Participants invited donors to continue to support UNCTAD's work in the area of ERs.

73. Organic agriculture (OA) was highlighted by participants as a trade and sustainable development opportunity that could be particularly beneficial to smallholders and in difficult climatic environments. OA offered higher incomes and an array of other benefits. It was a risk management tool, as it diversified production, improved local nutrition security,
stabilized rural employment, and met the increasing global demand for improved food safety methods and traceability. Appreciation was expressed for UNCTAD's work in this area, and donors were urged to provide funds in support of this work, including through the UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF) project.

74. References were made by participants to the opportunities offered by WTO negotiations on environmental goods and services (EGS) for a “triple win” outcome – for trade, environment and development. Given the complexity and novelty of these negotiations, many participants expressed their deep appreciation for UNCTAD's analytical, statistical and capacity-building support. They noted that the steady stream of activities carried out since 2003 by UNCTAD had contributed greatly to enhancing understanding of the issues involved and building up the negotiating capacity of developing countries. Donors were encouraged to support UNCTAD to continue and enhance its work in this area.

75. Several participants welcomed UNCTAD's continued work on traditional knowledge (TK) and appreciated the analysis in UNCTAD's background note. Some emphasized the need for international action to preserve TK and genetic resources, and suggested that this could be achieved through action at the WTO aimed at requiring disclosure of origin of genetic resources in patent applications and the prior informed consent of local and indigenous communities.

B. Biodiversity and climate change

76. On biofuels, participants emphasized that countries, both developed and developing, had started their transition towards new energy sources. Though such a process would be long and imply adjustments, high prices and volatility in the oil markets, as well as the need to comply with multilaterally agreed commitments on emission reductions, made it an inevitable step. Greater biofuel production, domestic use and regional/international trade would bring multiple benefits to all countries, but in particular to developing countries, ranging from diminishing dependency on fossil fuel imports to economic and agricultural diversification and rural development. The successful experience of Brazil with ethanol production was reviewed as providing useful lessons. The ethanol programme had led to savings of 26 million tons of CO2 per year and had directly created one million jobs. Participants agreed that developing countries had comparative advantages in biofuel production because of rich biodiversity, the availability of land to devote to biomass production, suitable climates and cheap farm labour.

77. Participants regarded UNCTAD's BioFuels Initiative as particularly timely and appropriate, as developing countries wishing to produce and export biofuels required access to information, know-how and technical assistance. The appropriateness of developing partnerships and synergy with other institutions – such as FAO, IEA and UNEP – and initiatives – such as the G8 Global Bioenergy Partnership – was stressed in order to maximize the results of the Initiative. It was important for developing countries to move from the production of raw materials to that of value-added final products, such as biofuels, but some concerns existed regarding the availability and price of alternative energy technologies.

78. On the issue of the EU Novel Food Regulation (NFR), the Directorate-General for Health and Consumer Protection of the European Commission explained that foods unknown
to the EC market after 1997 required pre-approval for marketing in the EU. The EC recognised the challenges that the NFR was currently posing for traditional exotic foods, as a long history of safe use in countries outside the EC was not taken into account sufficiently and safety requirements might not always be proportional. The EC sought to address these challenges in a mandatory revision of the legislation that was currently ongoing.

79. Private sector representatives from Peru and Ecuador demonstrated through several concrete cases that the NFR was posing a real, albeit unintended, barrier to trade for exotic foods from these countries. The result was missed market opportunities with significant economic and social impacts, as trade of traditional exotic foods, many with a long history of safe use, could make a real contribution to sustainable use of biodiversity, income generation for poor rural communities and economic growth. They also suggested concrete proposals for change, including: the exclusion of traditional exotic products that had a history of safe use in the country of origin from the NFR; transparent and clear proceedings and precise definitions; proportionality of requirements, tests and proceedings, in line with the expected risks involved; harmonization of the process of the competent authorities in the EU; and ensuring that exotic traditional products were part of the public dominion and that no private entity had privileged access to the EC market with traditional exotic foods.

80. The representative of the Netherlands mentioned the importance of coherence between import regulations with respect to food safety and promotion of development and suggested that UNCTAD continue to facilitate a constructive dialogue on this issue, bringing together the EC, member States, and public and private sector representatives of developing countries. With respect to the issue of exotic traditional foods, several participants mentioned the importance of balancing objectives of biodiversity conservation, protection of health of consumers, and development objectives. Participants welcomed the interest of the EC in finding ways to take these concerns into account in the NFR, but cautioned that measures should not create unnecessary barriers to trade. UNCTAD's BioTrade Facilitation Programme was requested to continue to provide a platform for constructive dialogue on the NFR and to consider creating a working group that included the EC, UNCTAD and interested countries to discuss various alternatives that could be taken into account in the revision of the NFR. UNCTAD was requested to keep contributing to the constructive dialogue launched by the European Commission with a view to finding a satisfactory solution.

81. Developing countries recalled the importance of biotrade as an opportunity for sustainable development based on biodiversity and as support for the implementation of the MDGs related to poverty alleviation and sustainable development. They called for a strengthening of UNCTAD's BioTrade Initiative and expansion to additional countries.
Chapter VII

ACTION BY THE COMMISSION AND CLOSING STATEMENTS

A. Action by the Commission

82. At its closing plenary meeting, on 10 February 2006, the Commission took note of the reports of the expert meetings contained in documents TD/B/COM.1/EM.27/3, TD/B/COM.1/EM.28/5 and TD/B/COM.1/EM.29/3. It also took note of the secretariat’s progress report on the implementation of the agreed conclusions and recommendations of the Commission at its ninth session, including post-Doha follow-up (TD/B/COM.1/78), as well as of the 2004 activities report of the Division on International Trade in Goods and Services, and Commodities (UNCTAD/DITC/MISC/2005/21).

83. At the same meeting, the Commission approved the provisional agenda for its eleventh session (see annex I below), as well as the topics for expert meetings for 2006, including an ad hoc expert group meeting on logistics services (see annex II below).

B. Closing statements

84. The representative of Austria, speaking on behalf of the European Union, said it was regrettable that one process during the meeting had started much too late. At the same time, it was clear that a Chairperson’s summary was a possibility fully in line with the guidelines established at the Mid-term review following UNCTAD X. The European Union still saw good opportunities in the near future to work better with all delegations in the various groups.

85. The representative of Sri Lanka, speaking on behalf of the Asian Group and China, said that stopping short of agreed conclusions was not an ideal precedent for the run-up to the mid-term review, and it would colour the discussions that lay ahead. Consensus building was the pillar of UNCTAD’s work that was lacking. He hoped that the Commission on Enterprise would make a fresh start.

86. The representative of Honduras said that the lessons learnt during the Commission’s session should be applied in a positive way in future in order to encourage consensus building.

87. The representative of Guatemala, speaking on behalf of the Latin American and Caribbean Group, said that she regretted the absence of agreed conclusions and called on members to avoid actions that could endanger UNCTAD. Her region attached great importance to trade and environment and was therefore deeply disappointed at the outcome of the session.

88. The representative of Zimbabwe, speaking on behalf of the African Group, said that his Group was disappointed at the outcome of the session. He hoped that the result would not influence the mid-term review or the future of UNCTAD.

89. The representative of the Philippines said that it was a sensitive time for UNCTAD, since members were trying to reach a consensus on the mid-term review, and the outcome of the Commission’s session would colour that process. He was surprised that the positive climate during initial informal consultations on the Mid-term Review process had not been maintained, and some of his optimism in that regard had been eroded.
90. The representative of Japan, speaking on behalf of JUSCANNZ, said it was regrettable that agreed conclusions had not been reached, but not enough time had been set aside for negotiations, and the lesson should be learnt.

91. The representative of China said that his delegation was very disappointed, and he hoped that a similar situation would not arise in future.

92. The representative of the Islamic Republic of Iran said the fact that no agreed conclusions had been reached should not be seen as a precedent, and everyone should try to take a more constructive approach for the other Commission sessions and the mid-term review.

93. The Director of the Division on Trade in Goods and Services and Commodities said that the Commission had had a rich policy dialogue, and although no agreed conclusions had been reached, the secretariat would continue delivering on the basis of the Bangkok Plan of Action and the São Paulo Consensus.
Chapter VIII
ORGANIZATIONAL MATTERS

A. Opening of the session

94. The tenth session of the Commission on Trade in Goods and Services, and Commodities was held at the Palais des Nations, Geneva, from 6 to 10 February 2006.

B. Election of officers

95. At its opening plenary meeting, on 6 February 2006, the Commission elected its Bureau as follows:

President: Mr. Love Mtesa (Zambia)
Vice-Presidents: Mr. Miguel Bautista (Philippines)
Mr. Hussam Al Husseini (Jordan)
Ms. Carmen Domínguez (Chile)
Mr. Ludmil Kotetzov (Bulgaria)
Mr. Andreas Pfäffernschke (Germany)
Rapporteur: Mr. Kiminori Iwama (Japan)

C. Adoption of the agenda and organization of work

96. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.1/74. Accordingly, the agenda for the tenth session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Commodities and development
4. Market access, market entry and competitiveness
5. Trade in services and development implications
6. Trade, environment and development
7. Implementation of agreed conclusions and recommendations of the Commission, including post-Doha follow-up
8. Provisional agenda for the eleventh session of the Commission
9. Other business
10. Adoption of the report of the Commission to the Trade and Development Board

D. Adoption of the report of the Commission to the Trade and Development Board

97. At its closing plenary meeting, on 24 February 2006, the Commission decided that the Chairperson’s summaries on items 3, 4, 5 and 6, as well as on the high-level event on climbing the trade and development ladder, should be incorporated into its report. It adopted its draft report (TD/B/COM.1/L.32) and authorized the Rapporteur to complete the report in the light of the proceedings of the closing plenary.
Annex I

PROVISIONAL AGENDA FOR THE ELEVENTH SESSION OF THE COMMISSION

1. Election of officers
2. Adoption of the agenda and organization of work
3. Commodities and development
4. Market access, market entry and competitiveness
5. Trade in services and development implications
6. Trade, environment and development
7. Implementation of agreed conclusions and recommendations of the Commission, including post-Doha follow-up
8. Provisional agenda for the twelfth session of the Commission
9. Other business
10. Adoption of the report of the Commission to the Trade and Development Board
Annex II

TOPICS FOR EXPERT MEETINGS FOR 2006

Services

Expert Meeting on Universal Access to Services

Many services are deeply embedded in a country's social, cultural or political context. Some of them are essential for human life or have important infrastructural characteristics. More broadly, many play a key role in achieving the MDGs. Telecommunication services, health services or the provision of energy services, e.g. water, are cases in point. In these sectors, Governments face the challenge of ensuring that services are adequately provided, including to the poor and marginalized members of society. National policies for ensuring access are determined by a series of factors, including a country’s specific economic and social situation, the country's particular policy objective (e.g. accessibility/affordability, efficiency, reducing expenses to government/taxpayers) and the country's international commitments and obligations.

The expert meeting will look at national experiences in ensuring access to universal services. It will examine how national policies differ across countries and sectors and what can be done at the international level to increase access. In that context, it will also analyse key characteristics of essential services sectors. The meeting will place particular emphasis on how to harness services trade as a tool for improving access to essential services and on what the key challenges are in this context. Through an expert meeting on essential services/access, the UNCTAD secretariat would make a valuable contribution towards assuring development gains from the multilateral trading system. The meeting would benefit from the UNCTAD secretariat's expertise in both assessment of services sectors/policies at the national/regional levels and trade negotiations at the international level.

Expert Group Meeting on Logistics Services (to be organized as an ad hoc expert meeting)

Logistics services are required for the management of the global supply chains that have become characteristic of today's global economy. Countries’ export competitiveness is not determined solely by their productive capacities but also by their ability to bring goods to foreign markets at the lowest possible cost and under conditions required by customers. Countries wishing to build or maintain the competitiveness of firms on the global market need to pay attention to several key strategic factors, including the development of efficient transport, communications and logistics infrastructure and services. What firms need are complete logistics services, involving the use of information and communications technology (ICT) and multimodal transport operations. In the vast majority of developing countries, existing infrastructure, technologies and the institutional and legal frameworks are still largely inadequate and do not allow for efficient linkages with global operators. Connection to global transport and logistics networks should be a priority objective for developing countries in the years to come in order for their participation in global trade and production not to be further jeopardized. The São Paulo Consensus, in paragraph 49, states that UNCTAD is to assist developing countries, in particular LDCs, to design and implement active policies for building productive capacity and international competitiveness, based on
an integrated treatment of investment, corporate responsibility, technology transfer and innovation, enterprise development and business facilitation (including transportation and ICT), competitiveness, diversification and export capacity, to sustain a high level of growth and promote sustainable development. Given the importance of logistics services, their contribution to competitiveness of economies and their role in international trade, including e-commerce, it is suggested that an intergovernmental expert meeting be organized on the logistics sector.

The expert meeting could analyse the impact of current developments in the logistics sector, including trends relating to outsourcing and the growing use of ICT, as well as the relationship between logistics services and e-commerce. The meeting could assess developing countries' constraints and opportunities in this rapidly evolving sector. Constraints include the security requirement that are necessary in today's world but which represent a burden on the limited capacities of developing countries, thereby constituting barriers to their trade; they also include the locational handicaps of landlocked countries and small island developing States. The meeting would review national policies that may be particularly important for developing countries to put in place, such as strategies aiming to strengthen the use and development of trade and transport capabilities, in cooperation, as appropriate, with neighbouring countries, through, as appropriate, institutional reform, public/private partnerships, adapting legal frameworks, streamlining administrative procedures, promoting the use of information and communication technology, and developing managerial capacities. In light of current WTO negotiations, the meeting could analyse where improved commitments could produce positive developmental results. Finally, the meeting could review how WTO Members can fulfil their obligations under GATS Article IV relating to initiatives to be taken with a view to promoting developing countries’ competitiveness and participation in world trade.

**New and dynamic sectors**

*Expert Meeting on the Participation of Developing Countries in New and Dynamic Sectors of World Trade: Review of the Energy Sector*

The years 2004-2005 were characterized by important challenges in respect of global energy production and trade, including volatile energy markets, high energy prices, policy reforms in the energy sector and the entry into force of the Kyoto Protocol. Rapid growth in demand, diminishing spare oil production capacity and surging oil prices are among factors that have pushed energy issues back to the top of the policy agenda in many countries. The trade and development implications for developing countries, including the least developed countries (LDCs), are an important consideration in this respect. Developing country economies are becoming increasingly energy-intensive, while they have limited capacities to diversify their fuel mix from fossil fuels to alternatives sources of energy. Access to reliable and reasonably-priced energy, on the other hand, is an indispensable element to achieve poverty reduction and sustainable development.

Against this backdrop, the Expert Meeting will focus on global structures of production and distribution of energy, with particular emphasis on challenges faced by developing countries and countries with economies in transition in the current energy production and trade context as energy producers, energy importers and energy exporters.
The analysis and discussion will embrace traditional energy sources (such as petroleum, natural gas and coal), as well as alternative and emerging sources (such as bio-fuels).

**Commodities**

*Expert Meeting on Enabling Small Commodity Producers and Processors in Developing Countries to Reach Global Markets*

In order to escape the poverty trap, developing country producers have to be empowered to enter as real partners into supply chains linking them in an organized manner with consumers locally, regionally and internationally. Many conditions need to be met in order to make this possible. Who will take the responsibility for creating these conditions? Governments and donors certainly have a role to play, but there is an increasing number of cases where commercial entities (such as commodity exchanges, processors, large buyers or fair trade organizations) have taken the responsibility for organizing the chain: they act as “anchors” for the full range of necessary services (such as information, quality control and finance). These entities are finding the “fortune at the bottom of the pyramid”, and as a result, they are building sustainable models that are helping to lift farmers out of poverty. If Governments and donor agencies wish to leverage their own poverty alleviation efforts through trade capacity building, they can benefit from having a better understanding of the models that these commercial supply chain “anchors” are putting into place. On this basis, they can then design appropriate partnerships to support the wider implementation of such models.

The expert meeting will examine the relevant issues in this regard and formulate proposals on how Governments and commercial entities can partner in building viable commodity supply chains for the benefit of marginal commodity producers in developing countries.
Annex III

ATTENDANCE *

1. Representatives from the following States members of UNCTAD attended the Commission:

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<td>Guinea</td>
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<td>Holy See</td>
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* For the list of participants, see TD/B/COM.1/INF.10.
Switzerland  Uruguay
Thailand  United Republic of Tanzania
The former Yugoslav Republic of Macedonia  United States of America
Timor Leste  Viet Nam
Trinidad and Tobago  Yemen
Tunisia  Zambia
Ukraine  Zimbabwe

2. The following observer was represented at the Commission:

Palestine

3. The following intergovernmental organizations were represented at the Commission:

African, Caribbean and Pacific Group of States
European Community
International Jute Study Group
South Centre
World Tourism Organization

4. The following United Nations agencies were represented at the Commission:

Economic Commission for Africa
Economic and Social Commission for Asia and the Pacific
International Trade Centre
United Nations Development Programme

5. The following specialized agencies and related organizations were represented at the Commission:

United Nations Industrial Development Organization
United Nations Food and Agriculture Organization

6. The following non-governmental organizations were represented at the Commission:

General Category

International Alliance of Women
International Confederation of Free Trade Unions
International Federation of Agricultural Producers
Ocaproce International
Third World Network

Special Category

European Advisory Council for Technology Trade
International Multimodal Transport Association
7. The following panellists were present at the session:

**Climbing the Trade and Development Ladder: Trade and Development Index**

The Hon. Mrs. Massivatou Latoundji Lauriano, Minister of Industry, Trade and Employment Promotion, Benin
H.E. Mr. Enrique A. Manalo, Ambassador of the Philippines, Geneva
H.E. Mr. Carlo Trojan, Ambassador, Permanent Delegation of the European Commission

**Panel on the Trade and Development Index (TDI)**

Ms. Roopa Purushothaman, Goldman Sachs, New York
Mr. David Roodman, Senior Fellow, Centre for Global Development, Washington DC
Mr. Salahuddin Ahmad, Head, Professor of Business School, Uttara University, Dhaka

**Panel on Commodity Problems and Expectations from the International Task Force on Commodities**

H. E. Mr. Kwame Bawuhuah-Edusei, Ambassador of Ghana
Mr. Yash Tandon, Executive Director, South Centre
Mr. Tom Lines, Consultant on commodity issues

**Panel on Small Farmers and Supply Chains**

H.E. Mr. Alexandre da Conceição Zandamela, Ambassador of Mozambique, Geneva
Mr. Mike Chambers, Gomba Estate, Arusha, Tanzania
Mr. Pierre Etoa Abena, Cameroon

**Panel on Strengthening Trade And Finance**

H.E. Ms. Claudia Uribe, Ambassador of Colombia to the WTO, Geneva
Mr. Anthony Adendorff, CEO, Pan African Commodity Exchange Platform,
Mr. O. Paul Andrew, President, Swiss-Africa Business Roundtable

**Panel on Improving the Management of Commodity Resources**

Mr. Patricio Aroca Gonzales, Professor, Universidad Catolica del Norte, Chile
Mr. Ian Emsley, Manager, Sustainable Development, Anglo American

**Panel on Environmental Requirements and Market Access for Developing Countries**

Mr. Tjalling Dijkstra, Senior Policy Advisor, Policy Coherence Unit, Ministry of Foreign Affairs, Netherlands
Mr. Nigel Garbutt, Chairman, EurepGAP
Mr. Christie Robert, Managing Director, QA plus, Malaysia
Mr. Daniele Giovannucci, Consultant, World Bank
Panel on Biodiversity and Climate Change: Trade, Development and Investment Opportunities

Mr. Emeritus Ignacy Sachs, Advanced Studies School of Social Sciences, Paris
H.E. Mr. Carlos Antonio Da Rocha Paranhos, Ambassador and Deputy Permanent Representative of Brazil, Geneva
H.E. Mr. Manuel T. Teehankee, Ambassador, Permanent Representative of the Philippines to the WTO, Geneva
Mr. Päivi Mannerkorpi, European Commission, Directorate General for Health and Consumer Protection, Brussels
Ms. Alejandra Velasco, Representative, Peruvian Natural Products Institute
Ms. Lucia Espinosa, Director, Office of the Export and Investment Promotion Corporation of Ecuador, Brussels

Panel on Assessment of Trade in Services and Development Gains

Mr. Muhammed Chatib Basri, Associate Director for Research at the Institute for Economic and Social Research, Faculty of Economics, University of Indonesia
Mr. Marlon Jerez, Manager of ICT Department, Banco Cuscatlan, El Salvador
Mr. Carlos de la Torre Munoz, Distribution Services, Quito, Ecuador
Mr. Moses Ikiara, Kenya Institute for Public Policy Research and Analysis
Mrs. Maha Ali, Head of the Foreign Trade Policy Department at the Ministry of International Trade of Jordan, Amman

Panel on the State of Play of the GATS Negotiations

H.E. Fernando De Mateo, Chair of the CSS/GATS,
Mr. A. Hamid Mamdouh, Director of Trade in Services Division, WTO, Geneva
Mr. Audo Araujo Faleiro, Second Secretary, Permanent Mission of Brazil, Geneva
Mr. Sumantha Chaudhuri, Permanent Mission of India
Ms. Alicia D. Greenidge, Assistant Deputy Chief of Mission and Senior Counsel, Permanent Mission of the United States of America, Geneva
Mr. Carlos Gimeno Verdejo, DG Trade, European Commission, Brussels, Belgium
H.E. Mr. Shree Baboo Chekitan Servansing, Ambassador, Permanent Mission of Mauritius, Geneva
Mr. Jose Victor Chan Gonzaga, Second Secretary, Permanent Mission of the Philippines to the WTO, Geneva

Panel on Market Access, Market Entry and Competitiveness

H.E. Mr. Fisseha Yimer, Ambassador of Ethiopia, Geneva
Ms. Nancy Adams, Senior Counsellor, United States

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