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Held at the Palais des Nations, Geneva, from 17 to 28 September 2012

Contents

President's summary

Evolution of the international trading system and its trends from a development perspective

(Agenda item 7)

1. The deliberations of the Board were structured around two themes, namely: key issues arising from the international trading system and their impact on inclusive development; and the outcomes of the recently concluded Rio+20 Summit and the implications for trade and development. The deliberations benefited from presentations by the Secretary-General of UNCTAD; the Director General of the World Trade Organization (WTO); the Director of the International Trade Department of the World Bank; Directors and senior officers from the Trade Divisions of United Nations regional commissions (Economic and Social Commission for Western Asia, Economic and Social Commission for Asia and the Pacific, Economic Commission for Africa, Economic Commission for Europe and Economic Commission for Latin America and the Caribbean); Director of the Trade and Policy Department of the Eurasian Economic Commission; the Permanent Representative of Brazil to the World Trade Organization and UNCTAD; the Senior Adviser, International Institute for Sustainable Development; and the Director of Sustainable Development for the Yves Rocher Group and Director of the Yves Rocher Foundation. Inputs were also provided by the Coordinator of the United Nations Forum on Sustainability Standards and senior officials of UNCTAD. Statements were made by representatives of the following member States: Indonesia (on behalf of the Group of 77 and China), the Dominican Republic (on behalf of the Group of Latin American and Caribbean Countries), the Philippines, Honduras, Algeria, Cuba, Bangladesh, the Bolivarian Republic of Venezuela and Paraguay. In addition, the following representatives of several non-governmental organizations made statements: the Southern and Eastern African Trade Information and Negotiations Institute, the Third World Network and the Centre for Economic and Policy Research/Our World Is Not for Sale. The debate was moderated by the Director of the Division of International Trade in Goods and Services, and Commodities of UNCTAD.

2. The last several decades had witnessed the power of trade as an engine for growth, development and poverty reduction. Developing countries had emerged as a major source of trade and growth and contributed to the robust expansion of world trade. However, recovery from the crisis remained sluggish and downside risks were substantial. Even the picture for South–South trade was less buoyant than before. Heightened uncertainty hovered over growth prospects for the years to come. Recent WTO projections situated trade growth in 2012 at 2.5 per cent instead of 3.7 per cent, as earlier projections had concluded. If the crisis worsened with gross domestic product growth decelerating substantially globally, this would put at risk some of the development gains of recent years. There was an urgent need to remain focused on enabling developing countries to use trade as a conduit to achieve sustainable and inclusive development.

3. The unprecedented scale, scope, sophistication and speed of the proliferation in global value chains were changing the nature of trade ("trade in tasks"). Participants agreed on the change taking place in trade trends towards the deepening and specializing participation of countries in regional and global supply chains. This had implications for how best one could maximize trade's contribution to growth and development. Several participants agreed that a particular challenge for countries was how to upgrade their participation into more value added tasks, as well as how to enhance and increase productivity. The growing prevalence of global value chains pointed to the need for

governments to rethink how best to pursue trade-led growth. Global value chains could help integrate countries into trade networks, create jobs and upgrade technology and skills. At the same time, it could not be assumed that all benefits arose automatically, or were equally divided among countries, as some countries might be locked in low value added activities. Hence the need to be careful with policies and measures, combined with international development cooperation, and private-sector collaboration to ensure the integration of developing countries into higher value chain production and trade, and harness higher trade and economic gains.

4. Policies to address those challenges included promoting larger diversification in goods and markets to help, in particular, those countries depending on commodities. "Smart government intervention" was thus important, which could take the form of public-private cooperation, investment in infrastructure, reducing transaction and trade costs, and an active labour policy to enhance competitiveness. International cooperation was key to addressing holistically trade costs associated with global value chains. Social safety nets should accompany an increasingly open and integrated economy.

5. Lowering trade costs was particularly important for trade in global value chains. This called for measures reducing transaction costs arising from physical, regulatory and institutional bottlenecks in trade and transport chains. Trade facilitation, addressing customs procedures as well as improving trade logistics, connectivity and transport networks (such as through transport corridors) and promoting regional integration, would make an important contribution, especially in Africa and landlocked developing countries where trade costs tended to be high. According to a recent World Bank study, for a dollar invested in trade facilitation and regulatory improvements, there was a corresponding $70 increase in trade. The importance of services was emphasized in facilitating trade in global value chains and improving productivity in general, as well as in providing opportunities for higher value added, especially intermediate services, such as infrastructure, transport, business and professional services.

6. Persistent high unemployment was testing many countries' resolve to keep markets open. It was alarming that trade restrictive measures had continued to accumulate. New areas of trade frictions had also emerged, such as non-tariff barriers, including sanitary and phytosanitary measures and technical barriers to trade-related, environmental or private standards, as well as exchange-rate fluctuations and policies to address climate change. It was equally important that traditional trade issues of particular interest to developing countries, such as border barriers and subsidies, not be ignored. The monitoring of those measures by UNCTAD, WTO and the Organization for Economic Cooperation and Development was useful to keep those measures under control.

7. With the lowering of traditional trade barriers, there was a general agreement on the increasing relevance of non-tariff measures, particularly affecting trade in global value chains that were particularly cost-sensitive. In the Asia-Pacific region, about 15–18 per cent of the total value of exports – about $300 billion – was affected by non-tariff measures; hence the urgent need to address them. Most delegates agreed that measures could have legitimate purposes, but a number of delegates said that some measures could act as disguised protectionism. Some countries called for greater transparency, as well as a cooperative and consultative approach to address the trade-impeding elements of non-tariff measures. Some stated that more transparency was needed to know what measures were put in place, in order to solve one of the main problems: non-availability of data. UNCTAD, in cooperation with other partners, was addressing the lacuna by launching the Transparency in Trade Initiative and the United Nations Forum on Sustainability Standards. Representatives encouraged UNCTAD to explore the standard-setting processes to facilitate the participation of developing countries in them.

8. The multilateral trading system remained a central piece in global economic governance. The impasse in the Doha Round negotiations was a matter of concern for all. To be viable, trade liberalization should fully take into account existing asymmetries in trade structures and capacities among countries, in order to allow their economies to grow and develop on a sustainable basis. Issues relating to least developed countries (LDCs) should receive adequate attention to ensure the effective implementation and operationalization of existing commitments, such as duty-free, quota-free market access and LDC services waivers.

9. Some delegates wondered how to manage trade and its place in the coherence and holistic global economic architecture to ensure that trade would contribute to job creation, enhanced productive capacities and inclusive and sustainable development. Promoting greater coherence in global economic policymaking, including between trade, finance and monetary policies, was important. There was also a need to make trade more pro-poor, including in view of the 2015 review of the Millennium Development Goals. Those should be addressed in the broader context of the global discourse and action on development. New initiatives could be taken to foster international consensus and cooperation and preserve multilateralism. The United Nations and UNCTAD made an important contribution as the only universal bodies with a mandate to address the principal issues.

10. With the impasse in the multilateral process and the proliferation of global value chains, there was an accelerated move towards bilateral and regional initiatives seeking to deepen a free trade environment going beyond tariffs and addressing non-tariff barriers and behind-the-border issues such as investment, competition, government procurement and trade facilitation. Increasingly, various regions had developed a template for region-wide agreements, and had embarked on the enlargement and consolidation of existing regional trade agreements such as in Africa, where an action plan had been approved for the creation of a continental free trade area to boost intraregional trade. This had highlighted the need for greater coherence between multilateralism and regionalism. An important challenge in most regions was how to find ways to promote intraregional trade. By and large, many developing regions, such as in Latin America and the Caribbean, specialized in raw materials production. A recent study by the Economic and Social Commission for Western Asia suggested that the trade growth within the region of the Commission seemed to enhance development. Moreover, strengthened trade with other countries of the South, such as India, could have greater impact than integration with the European Union.

11. While the Rio+20 outcome was not fully satisfactory for many, it set an agenda for national and international measures to achieve sustainable development and a green economy. The imperative of a green economy – propelled by science and potential development benefits – would increasingly affect trade and the global economic governance, in terms of enduring coherence between trade and environmental governance systems. Trade had been identified as an engine for development and growth, and should contribute to the achievement of sustainable development and poverty alleviation. While several trade-related measures contributed to the objective, such as the further opening of environmental goods and services, it was important that such measures did not act as disguised protectionism or lead to unbalanced allocation of costs and benefits.

12. UNCTAD could provide an institutional space to consider some of these issues consistent with paragraph 18(b) of the Doha Mandate and, inter alia, paragraphs 56 and 58 of The Future We Want (Rio+20 outcome document). In this connection, UNCTAD would be launching a green economy forum and conduct green economy policy reviews upon the specific requests of countries. Delegates stressed the importance of building capacities of developing countries, especially LDCs, so that they could benefit from the transition to a green economy. However, the potential costs in Africa, such as the inherent dangers of the

diversion of the use of land from food production to biofuels production, should be taken into account.

13. Environmental policies and competition policy were complementary, as both sought to correct market failure and increase social welfare. There was a need to ensure greater coherence between these policies. Also, UNCTAD was supporting countries in an effort to review the United Nations Guidelines on Consumer Protection, which also addressed sustainable consumption that could contribute to more sustainable development. Trade negotiations and agreements had a close bearing on countries' efforts to achieve sustainable development outcomes. A good example was the Asia-Pacific Economic Cooperation Summit held in September 2012, where its member States decided to cut tariffs by 5 per cent or less on a number of environmental goods. Some delegates said that the green economy was an opportunity for business in that it was coherent with both the need for the sustainable management of natural resources and the expectations of consumers. In this regard, there was scope for deeper collaboration between UNCTAD and the private sector. The private sector considered that UNCTAD had an important role to play in providing a forum to promote collaboration among actors to enhance the understanding of the linkages between the industries and biodiversity and to share experiences.