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**Report of the Commission on
Trade in Goods and Services, and Commodities
on its eighth session**

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Chapter I

Agreed recommendations adopted by the Commission at its eighth session

Market access, market entry and competitiveness Trade in services and development implications

1. The Commission underscores the significance of interrelationships among market access, market entry and competitiveness in shaping the pace and scope of gains accruing to developing countries from international trade and trade negotiations. It also emphasizes the importance of the work of UNCTAD in this regard.
2. UNCTAD should continue its development-oriented policy analysis, confidence and consensus building, exchange of experience and information, and capacity development activities focusing, *inter alia*, on market entry and market access conditions facing developing-country exports, including commodities. In doing so, UNCTAD should take into account, whenever appropriate, work and expertise already available. It should examine tariff and non-tariff barriers, including technical barriers and other market entry conditions, such as behind-the-border measures, that are obstacles to international trade, with special attention to those affecting developing-country exports. UNCTAD should also continue its work, whenever appropriate with other international agencies, on factors shaping competitiveness of developing countries, including international market structures and anti-competitive practices. It should deepen its work on preferences, South-South trade (including the Global System of Trade Preferences among Developing Countries – GSTP), and the interface between regional and global trade agreements and processes and their trade and development implications and impact.
3. UNCTAD should continue and enhance its work with regard to international commodity markets and policies and measures at the macro, meso and micro levels to improve the contribution of the commodity sector to development, focusing in particular on (i) the relationship between poverty reduction and commodity production and trade; (ii) enhancing the competitiveness of the commodity sector in developing countries; (iii) the strategic positioning of developing-country producers in value chains; (iv) achieving diversification of the commodity sector in developing countries towards activities generating higher development gains; (v) financing and risk management mechanisms for commodity sector development; and (vi) further work on concentration of commodity distribution chains and their impact on developing countries' commodity sectors.
4. UNCTAD should continue to play an important role in building effective partnerships among relevant stakeholders aiming at viable solutions to commodity problems.
5. UNCTAD's work should contribute to greater coherence between policies in the areas of poverty reduction, trade, commodities and financial flows; support development-oriented follow-up to the Doha Work Programme; and promote implementation of the Millennium Declaration. UNCTAD should also continue its technical assistance to developing countries on their accession to the World Trade Organization.

6. UNCTAD should continue its policy-oriented analysis, consensus building and capacity-building activities on services to contribute to assuring development gains to developing countries accruing from international trade and trade negotiations in the following areas:

- (i) Assessment of trade in services;
- (ii) Sector-specific studies in areas and sectors of interest to developing countries, with particular emphasis on infrastructure and essential services;
- (iii) Identifying opportunities for developing countries in new and dynamic services sectors and through outsourcing;
- (iv) Analysis of approaches to further commitments in GATS Mode 4;
- (v) Identifying opportunities and issues for beneficial integration of developing countries into regional trade arrangements;
- (vi) Assisting developing countries in multilateral trade negotiations in implementing GATS, particularly Articles IV and XIX;
- (vii) Enhancing analytical work on cross-cutting issues of special interest to developing countries, such as domestic regulations, and GATS rules; and
- (viii) Analysis of economic implications of security measures on trade in services.

Chapter II

Opening statements

1. The **Secretary-General of UNCTAD** said that, of various key dates in 2004, the most important one for UNCTAD was the eleventh Conference, which would also mark the fortieth year since UNCTAD's founding. UNCTAD XI would seek to identify all the problems with coherence that should be settled in order to create the necessary conditions for making the next few decades in world trade really belong to developing countries. The Conference's sub-theme on assuring development gains provided an opportunity to make a constructive contribution to building up a trade and development solidarity for realization of the Millennium Development Goals (MDG).

2. International trade, after a period of anaemic growth and even decline, appeared to have been rebounding since 2002. Apart from the role of some major developed countries in this recovery, developing countries had registered a robust 9 per cent growth in trade. South-South trade had expanded and now accounted for 43 per cent of the total trade of developing countries. Revitalization of the Global System of Trade Preferences among Developing Countries (GSTP), with UNCTAD's support, could contribute to furthering South-South trade as a useful complement to North-South trade. UNCTAD XI could send positive impulses for a successful development-oriented conclusion of the Doha Work Programme. At the same time, the unfolding regional and sub-regional processes should be harnessed, with attention to promoting coherence with the multilateral trading system. Further, new trading opportunities for developing countries, such as outsourcing of services, provided avenues for instant and durable development gains. UNCTAD was well placed to provide a strategic perspective on these issues. UNCTAD's work would continue to focus on its traditional areas of goods, services and commodities, trade and environment, and trade and competition. Growing attention was needed in the UNCTAD XI process to integrate trade and poverty, trade and gender, and trade and creative industries into UNCTAD's work programme on trade.

3. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, expressed the Group's commitment to ensuring that the international trading system became more supportive of sustainable development. Trade must be made development friendly and strive to meet the MDG. UNCTAD, including through UNCTAD XI, had the most relevant contribution to make, particularly by fostering consensus and confidence building and by promoting positive outcomes to the Doha negotiations. Most countries looked forward to prompt resumption of negotiations in the World Trade Organization (WTO), but maintaining the Doha mandate's development-oriented emphasis. In addition to agriculture, the final package must include effective responses to implementation issues, the cotton initiative, agreements on non-agricultural market access and services that enabled developing countries to diversify their production, and special and differential (S&D) treatment. Market access and entry barriers should be removed. Developing countries must improve their competitiveness, with appropriate capacity-building support. Services, including outsourcing, were of key importance, and the international community should create an enabling environment for such flows. A commercially meaningful outcome on Mode 4 on was another priority. UNCTAD's assistance was needed with the terms of services assessment exercise and work on GATS rules and domestic regulations. There was a need to address trade and environment issues in the context of a broad agenda for sustainable development, focusing on market access, trading opportunities for environmentally preferable goods and services, the promotion of sustainable use of biodiversity products and services, and the protection of traditional knowledge. Commodity trade was of key importance, and the international task force on commodities proposed as a partnership for UNCTAD XI was useful.

4. The representative of **Ireland**, speaking on behalf of the **European Union** and the **Central and Eastern European states associated with the EU, as well as Cyprus, Malta and Turkey**, referred to EU initiatives that cumulatively provided a range of market access opportunities for developing countries' exports. The reform in June 2003 by the EU of the Common Agricultural Policy (CAP) represented a significant policy shift towards non- or minimally trade-distorting forms of support to agriculture. It supported an effective and specific solution to the cotton issue. In market access negotiations for non-agricultural goods, the EU proposed a simple, single formula for all WTO Members, with built-in flexibilities for developing countries and sectoral initiatives for labour-intensive products of export interest to them. In services, the EU had taken particular account of developing-country interests in its offer of April 2003. It recognized UNCTAD's valuable role in services and in following up the Plan of Implementation of the World Summit on Sustainable Development and, more generally, in considering the linkages between trade, environment and development, including through the joint UNCTAD/UNEP Capacity Building Task Force.

5. The representative of **Senegal**, speaking on behalf of the **African Group**, noted that, notwithstanding an impressive increase in total world output, African countries had benefited the least. It was essential to improve their market access, especially by addressing tariff peaks and escalations affecting cocoa, coffee, oilseeds, fruit, hides and skins, and by eliminating domestic support and export subsidies. A satisfactory solution must be found to the commodities problem, including through follow-up to the "Report of the Meeting of Eminent Persons on Commodity Issues" (TD/B/50/11) and in dealing with anti-competitive market practices, sanitary and phytosanitary (SPS) and environmental standards, antidumping measures, and non-tariff barriers. The liberalization of temporary movement of persons supplying services under Mode 4 was important. Outsourcing of services to developing countries had created new trading opportunities in Africa. The increased use of environmental requirements in developed countries was a key concern, as these inhibited penetration by African small and medium-sized enterprises (SMEs). UNCTAD should extend its Biotrade programme to Africa. Furthermore, donor countries should increase their financial contributions to UNCTAD's technical cooperation, including through JITAP and the Integrated Framework.

6. The representative of **Argentina**, speaking on behalf of the **Group of Latin American and Caribbean Countries** (GRULAC), said that market access and entry conditions for developing-country exports had not improved. It was also important to develop the productive capacities of developing countries. Liberalization of markets for services of export interest to countries in the region, including Mode 4, was called for. Environmental requirements should not compromise market access, particularly for the exports of SMEs. Doha negotiations on agriculture were critical for the redirection of the work programme and must respect the mandate of the three pillars of this negotiation. They must include S&D treatment for developing countries. Effective and meaningful measures in the areas of S&D treatment, implementation issues, and small economies were important. The region was committed to bilateral and regional trading initiatives that were compatible with and favourable to the multilateral trading system. Their repercussions on development required deeper analyses by UNCTAD. The rich and intense discussion by the Trade and Development Board last October on the post-Doha, post-Cancún scenario was evidence of UNCTAD's useful contribution to consensus building. UNCTAD's analytical, technical and capacity-building assistance should be expanded. There was no regional programme on trade negotiations for Latin American and Caribbean countries, and UNCTAD should be supported in mobilizing resources for such a programme.

7. The representative of the **Islamic Republic of Iran**, speaking on behalf of the **Asian Group and China**, emphasized that the majority of Asian countries still faced considerable constraints in diversifying their export base. UNCTAD should strengthen its support to Asian countries to enhance their ability to participate in global supply chains and meet product requirements in export markets. It

should also concentrate its analyses and technical assistance on the energy sector. Additional efforts were needed to enhance the competitiveness of many countries in the region to take greater advantage of export markets for the information and communication technology (ICT), outsourcing and tourism sectors. Further opening of the financial sector should be fully compatible with countries' financial stability. More liberal commitments were required on Mode 4; improved access to information and distribution channels; and the gradual elimination of government support to services sectors. UNCTAD should assist developing countries with assessment of trade in services, implications of security measures, GATS rules, domestic regulation, and identification of market access opportunities and barriers. Environmental product standards were a concern. Developing countries must play a greater role in standard setting. New market opportunities could arise from environmental goods and services. UNCTAD's Biotrade programme should be expanded. Asian countries in the WTO accession process should not be subjected to terms of accession that were unduly onerous or based on non-trade concerns. UNCTAD should assist countries prior to and during their WTO accession process.

8. The representative of **Benin**, speaking on behalf of the **Least Developed Countries (LDCs)**, said that LDCs remained marginalized in international trade. LDCs should receive sufficient support from the international community to address foreign debt, alarming reductions in capital flows and official development assistance, persistent trade imbalances, protectionism in major markets for LDCs' exports, increasingly fluctuating and plunging commodity prices, the absence of productive capacities, distortions caused by production support and export subsidies to primary agricultural products, and tariff-related and technical barriers to trade. The development of services sectors would help the development of LDCs, and they should be provided with technical support in GATS negotiations. Mode 4 was a key priority. LDCs also attached importance to Agenda 21. SMEs of LDCs needed assistance in meeting environmental requirements. The LDCs appreciated the support of their bilateral and multilateral partners and requested them to intensify financing of UNCTAD's projects.

9. The representative of **Colombia** emphasized the importance of services trade liberalization under Mode 4 of GATS for developing countries, and the important distinction that Mode 4 did not have a direct link with migration. Service providers and temporary personnel were affected by new security restrictions (such as lengthy visa processing times), which greatly hindered international business exchanges. These restrictions must be studied to determine remedial measures, including binding agreements at the international level. An UNCTAD visa to facilitate the movement of persons supplying services had been discussed. The role of the consumer required further examination, and consumers' fuller participation, including in the UNCTAD XI process, was needed.

10. The representative of **Argentina**, speaking as the **Chairman of the Committee of Participants in the Global System of Trade Preferences among Developing Countries (GSTP)**, highlighted the importance of South-South trade, which had represented 43 per cent of developing countries' exports in 2001. South-South trade growth stemmed not only from market forces and trade liberalization but also from focused policies and reinvigorated regional and sub-regional economic integration processes. This expansion was greater at the intra-regional level than at the inter-regional level. Consequently, there was a complementarity still to be fully exploited at the inter-regional level, and the GSTP was a valuable instrument for enabling developing countries to take advantage of these opportunities. The impact of the GSTP could be broadened if its functioning was improved and more developing countries joined the agreement. In this context, he mentioned certain policies and measures of developed countries, such as subsidies for agricultural exports and stringent rules of origin, which hindered the development of South-South trade. Analytical work by UNCTAD, as the GSTP secretariat, should be enhanced. South-South trade should be discussed by UNCTAD's

intergovernmental machinery, and an expert group meeting could be convened to discuss South-South trade, its potential and limitations, and policies for promoting it at the national and international levels.

11. The representative of **China** said that sanitary and environmental requirements, technical standards and rules of origin constituted obstacles to the exports of developing countries, so their elimination was required. Unreasonable restrictions and requirements relating to the movement of natural persons supplying services should also be relaxed or withdrawn. Outsourcing of services had promising development potential, so UNCTAD should assist developing countries in becoming destinations for outsourcing. UNCTAD should also provide technical assistance to enable developing countries to exploit the development potential of environmental goods and services.

12. The representative of **Uganda** said that, while Uganda had liberalized its international trade regime, including through poverty reduction strategies, the response in terms of resource reallocation and foreign direct investment (FDI) inflows had been insignificant. It was necessary to address development issues in the Doha agenda in agriculture, Mode 4 in services, market access and entry issues, and potential losses in preference erosion and tariff revenue. Liberalization of the services sector could not occur without an appropriate regulatory regime. Special treatment of LDCs was a necessity. The issue of commodities required close attention, as exemplified by the fact that corporations trading in coffee reaped windfall profits from high prices, while small peasant coffee farmers in LDCs earned a pittance. National and international policies needed to focus on competitiveness, shifting trade specialization to high-value-added products and increasing supply capacity, addressing debt and finance issues, and creating domestic linkages to sustain export-led growth.

13. The representative of **India** said that, while enterprises in developing countries had to be competitive, market access and entry barriers in developed countries rendered efforts to improve competitiveness or move up the value chain meaningless. These barriers should be removed, along with trade-distorting export subsidies and domestic support in the agriculture sector, and restrictive rules of origin or closed networks as part of regional trade agreements. Efforts to enhance South-South trade and intensify the GSTP deserved support. UNCTAD should continue its pioneering work on Mode 4 and “development benchmarks”.

14. The representative of **Cuba** stated that trade-restricting market access and entry barriers and high agricultural subsidies prevented local farmers in developing countries from competing. Trading opportunities were also affected by fluctuating commodity prices. In addition, escalating tariffs impeded value addition in production. It was a matter for concern that the Washington Consensus was becoming the only development model. Governments should look at and adopt systemic approaches that incorporated development goals agreed to in the Millennium Declaration and the Doha agenda.

15. The representative of **Bangladesh** said that the comparative advantage of LDCs was nullified by declining terms of trade, quotas, non-tariff and market entry barriers, and “behind-the-border” barriers. Substantial domestic support and export subsidies in agriculture shut out more competitive products from developing countries. Various barriers impeded trade in non-agricultural products. Duty-free and quota-free access must be instituted for all products of LDCs. Such preferences could be meaningfully utilized depending, *inter alia*, on the rules of origin. UNCTAD XI should contribute to addressing these issues and strengthening the multilateral trading system.

16. The representative of the **United Nations Economic and Social Commission for Asia and the Pacific (ESCAP)** pointed to the double-digit trade growth in East and South Asia, led by China and India, and the increased intraregional trade. The services sector had become a new source of

economic growth generated by outsourcing of services. Nevertheless, a number of challenges remained. First, if WTO negotiations did not move ahead in the post-Cancún period, ESCAP countries might turn to bilateral trade agreements. Second, 22 of ESCAP's 53 members were not members of WTO and could face the difficult accession process. Third, there was a need to create a more favourable regulatory climate for FDI and promoting private enterprise.

17. The representative of the **Russian Federation** said that, while countries needed to facilitate access to foreign markets, they would also like to protect local producers from powerful foreign competitors. UNCTAD was an important forum for discussing modalities to solve such policy dilemmas. The Russian market in services would be more attractive for developing countries after Russia's accession to the WTO. The potential of developing countries and countries with economies in transition for services trade lay in their labour force and its movement.

18. The representative of **Barbados** said that UNCTAD's role should not be limited to a "WTO agenda"; rather, it should encompass the "development agenda" as a whole, in view of its role in multilateral, regional and ACP-EU trade negotiations. There was a need to improve competitiveness through, *inter alia*, niche marketing and product diversification into value-added products in the agricultural sector. UNCTAD should establish a regional trade negotiations programme for Latin America and the Caribbean. UNCTAD had provided important assistance through the UNCTAD/UNEP CBTF programme and support for small island developing States (SIDS) on agricultural liberalization.

19. The representative of the **World Tourism Organization** said that in December 2003, the organization had become a specialized agency of the United Nations. The tourism sector could be an engine for growth; however, it was hindered by internal and external obstacles, which could be addressed through the GATS negotiations. The organization, in cooperation with UNCTAD, would convene a tourism meeting for trade negotiators in Madrid (Spain) from 22 to 23 March 2004.

20. The representative of the **International Trade Centre (ITC)** said that ITC had developed tools, targeted at SMEs and Governments, to promote awareness of the commercial implications of GATS for services trade, including tourism. ITC delivered training and export promotion programmes to member companies, collected data on service exports, gave input into national export strategies, and provided the means to reach services enterprises. ITC also targeted women entrepreneurs.

21. The representative of the **World Trade Organization (WTO)** said that the WTO's annual training and technical assistance activities, including through the Integrated Framework, gave priority to LDCs. In 2003, the WTO had participated in 447 activities, of which 250 benefited LDCs.

Chapter III

High-level panel on development gains, opportunities and challenges in the international trading system and trade negotiations

Chairman's summary

Prospects for Doha negotiations

22. There was an urgent need to put the Doha negotiations back on track, and their development dimension should be addressed on a priority basis. Participants in the Doha Round should enter into a more active and honest dialogue, without fear of undermining their negotiating positions. This could be done if WTO members addressed in a meaningful and constructive way the systemic issues of utmost importance for developing countries: implementation issues, S&D treatment and agriculture, but also the TRIMS and TRIPS Agreements. A critical look should be given to the new "behind-the-borders" issues. The multilateral trading system (MTS) was in need of consolidation, and that the focus should be on this, not on extending its frontiers. There was a need to update the existing multilateral trade rules, in particular in such new areas as trade facilitation and transparency in government procurement.

Challenge of ensuring gains from trade negotiations

23. Lessons from past negotiations indicated that trade liberalization itself was not sufficient to promote development; it was only one instrument among others. The results of the Uruguay Round constituted a failure, as its anticipated gains for developing countries, particularly LDCs and African countries, had not materialized, and several systemic imbalances were evident. Similarly, in the present Doha negotiations, a continuing "development deficit" was being felt. This called for important adjustments to ensure balanced and pro-development outcomes capable of generating concrete gains for developing countries, and of contributing to realization of the goals in the Millennium Declaration. Developing countries also needed to actively take advantage of opportunities and contribute to the success of negotiations. As to what aspects of the Doha agenda would yield maximum development advantages, the view was expressed that commercially meaningful multilateral liberalization of Mode 4 would yield far more gains than other areas of negotiations, while some insisted on the centrality of gains from agriculture. Addressing commodities issues in a comprehensive and innovative manner, and the linkage between trade and foreign debt, was also required.

Managing multiple trade negotiations

24. Concern was expressed regarding developing countries' ability to simultaneously manage multiple negotiating processes – multilateral, regional, sub-regional and bilateral – while ensuring coherence in their policies so that the development denominator was safeguarded and not pulled down further, as had happened in WTO accessions and some bilateral free trade agreements. Regional agreements were beneficial especially between countries with similar levels of development, but they were not a substitute for the MTS.

Special and differential treatment

25. While developing countries should join and implement multilateral rules and standards in international trade, a “one size fits all” approach was clearly inappropriate. Hence S&D treatment was an integral part of the MTS and should permeate all rule making. The present multilateral trade rules and disciplines and their implementation record could be improved and made more development friendly. However, they had served rather well over decades, especially in resisting protectionist pressures. S&D treatment was mainly framed in “best endeavour” clauses and that the Doha mandate pointed to their being transformed into contractual and operational obligations. Special needs of different groups of developing countries should also be reflected. The diversity among developing countries called for a differentiated approach to S&D treatment, where more advanced developing countries were part of a balanced solution.

Prerequisites for a “fair deal” and synergy

26. The importance of focusing on ways to ensure that developing countries were getting a fair deal from trade negotiations was emphasized. Developed-country subsidies in agriculture and other areas unfairly tilted the playing field against developing-country producers and exporters. Genuine liberalization by developed countries of trade in those sectors where they did not have comparative advantage, such as agriculture, textiles and Mode 4 of GATS, was a central element of this fair deal, as were stringent controls over these trade-distorting measures and ensuring that all aspects of trade-related policies were fair and non-discriminatory. A major competitive challenge for developing-country firms was one of scale, scope and size of their enterprises in relation to the dominant market power of developed-country enterprises in international trade. Therefore, there was also a need to build a critical mass and size of enterprises in developing countries. Trade negotiations should be supported with development solidarity through other measures such as increase of official development assistance flows and aid for trade to developing countries, as well as due consideration of the poverty and development imperative in international trade.

Protectionism and openness

27. Another element to address was the resurgence of protectionism, particularly in developed countries, in the form of new non-tariff barriers designed to address health safety, the environment and bio-security and other legitimate concerns, but which could be substantially abused. These represented an additional heavy burden on developing countries. Discretionary and non-transparent market entry barriers made the trading system unpredictable for developing countries, eroding market entry and preferential market access. Old arguments (e.g. job losses) were used to react to the outsourcing of services to developing countries. Since both sides could gain, protectionist pressures should be confronted to facilitate outsourcing. The increased share of developing countries’ imports and exports into and from developed countries showed that the markets of both developed and developing countries were more open now than in the past, and that interdependency was deepening.

Coherent approach to trade, development and finance

28. A coherent approach to trade, development and finance at the international level was needed, including in trade negotiations, by mainstreaming development into the MTS. Coherence was also necessary between the national trade and development policies of both developing and developed countries. Developmental impact assessments of trade agreements should be undertaken as an integral

aspect of negotiations. The Doha negotiations and future multilateral trade agreements should be carefully balanced with addressing social and economic development and building supply capacities in developing countries.

Policy space

29. Retaining and expanding “policy space” for developing countries, within the context of multilateral trade rules, was a legitimate concern, given that the MTS was increasingly dealing with “behind the border” issues, which directly affected development. This was only fair, since historically developed countries had enjoyed and retained substantial policy spaces for their development strategies, including by keeping and expanding subsidies to support their producers, a practice that the overwhelming majority of developing countries could not emulate, for obvious financial reasons. Also, more policy flexibility was required for developing countries to achieve the MDG. Stronger intellectual property protection did not necessarily lead to development, and the increased costs for intellectual property users outweighed the benefits to right holders. Yet recent regional and bilateral trade agreements imposed stronger intellectual property protection than WTO TRIPS disciplines, and thus eroded policy space available to developing countries. However, it was acknowledged that developing countries had to be part of a rules-based trading order.

Role of the South and potential of South-South trade

30. Most participants highlighted the growing role of and potential for development of South-South trade. Trade between developing countries had reached 43 per cent of their total trade and kept growing. Larger internal markets in developing countries would bring competitiveness gains and be more attractive to investors. South-South trade could make a major contribution to overall trade liberalization and should be addressed at the bilateral, regional and multilateral levels, within the Doha negotiations and GSTP. The surge in South-South trade required full international support, including that of UNCTAD. The “advent” of China as an active player in global trade represented both challenges and opportunities for developing countries and the international trading system.

Least developed countries

31. Given that 49 LDCs accounted only for 0.6 per cent of world trade, they should be supported in increasing their share in international trade so that they could benefit from their integration into the MTS. Preferential market access could be an effective and dynamic instrument of integration, if bound and anchored in the MTS. The erosion of tariff preferences and the need to improve preferential schemes and their utilization, especially in favour of LDCs, should be addressed. There was a persistent need to complement the trade agenda by addressing supply capacity problems in LDCs. Helping LDCs to diversify their economies, find “niche” markets and penetrate global production chains should be part of coherent approaches to development. UNCTAD’s evolving work on “new and dynamic trade sectors” was a step in this direction.

Role and mission of UNCTAD

32. UNCTAD’s development mission in the area of trade should be preserved and strengthened, including at the forthcoming eleventh session of the Conference, on, *inter alia*:

- Monitoring the impact of trade negotiations on social and economic development on the basis of specific and balanced benchmarks;
- Conducting policy research and helping developing countries understand the impact of trade rules;
- Providing coherent policy approaches to development;
- Investing more in South-South trade issues and regional integration;
- Providing analytical inputs with innovative approaches to commodities problems;
- Providing trade-related capacity-building and technical assistance; and
- Supporting the collective drive to push the Doha negotiations towards a successful and balanced conclusion, with a development focus.

Panellists

H. E. Mr. Carlo Trojan, Ambassador, Permanent Representative to the WTO, Permanent Delegation of the European Commission, Geneva

H. E. Mr. Hardeep Puri, Ambassador, Permanent Representative, Permanent Mission of India, Geneva

H. E. Mr. Luiz Felipe de Seixas Correa, Ambassador, Permanent Representative, Permanent Mission of Brazil, Geneva

Mr. Faizel Ismail, Head of the South African Delegation to the WTO, Permanent Mission of South Africa, Geneva

H. E. Mr. Love Mtesa, Ambassador, Permanent Representative, Permanent Mission of Zambia, Geneva

Ms. Nancy Adams, Assistant US Trade Representative, Senior Counsellor for Technical Cooperation and Market Access, Permanent Mission of the United States to the WTO, Geneva

Professor J. Michael Finger, Eminent Trade and Development Expert, Resident Scholar, American Enterprise Institute, United States

Mr. Douglas Gregory, Vice-President, Governmental Programs, IBM Europe/Middle East/Africa, Brussels, Belgium

Professor Dani Rodrik, Professor of International Political Economy, John F. Kennedy School of Government, Harvard University, Massachusetts, United States

Professor Carlos M. Correa, University of Buenos Aires, Argentina

Chapter IV

Market access, market entry and competitiveness

(Agenda item 3)

33. For its consideration of this item, the Commission had before it the following documentation:

“Access, market entry and competitiveness: Note by the UNCTAD secretariat” (TD/B/COM.1/65)

“Report of the Expert Meeting on market entry conditions affecting competitiveness and exports of goods and services of developing countries: Large distribution networks, taking into account the special needs of LDCs” (TD/B/COM.1/66 - TD/B/COM.1/EM.23/3)

34. The report of the Expert Meeting on Market Entry Conditions Affecting Competitiveness and Exports of Goods and Services of Developing Countries: Large Distribution Networks (26–28 November 2003) was presented by the Chairperson.

Chairman’s summary

35. Trade is not an end in itself, but rather a key means to promote growth and sustainable development. Trade policy should be considered as an instrument to advance development objectives that must be adapted and sequenced according to each country’s needs and circumstances, taking into account the linkages between supply capacity, competitiveness and market access conditions.

Market access

36. The importance of improving market access for products of interest to developing countries in the ongoing trade negotiations was emphasized.

37. Tariffs facing developing countries in major industrial markets are still higher than those facing other industrial countries, and tariff escalation is widespread. Non-tariff barriers are also loaded against developing countries. As regards textiles and clothing restraints that are to be completely phased out under the WTO Agreement, there is a fear that these may be replaced in 2005 with anti-dumping duties or safeguards. To ensure that trade takes place, other non-transparent, discretionary and complicated barriers against developing-country exports should be addressed, such as technical barriers to trade, SPS and environmental standards and regulations, rules of origin and anti-competitive market structures.

38. Meeting the requirements of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement) is one of the principal concerns of agro-food exporters. This is complicated by the diversity of these requirements across different markets. Considerable costs have to be borne in order to meet the requirements. Important difficulties also arise from the way standards are set, and challenging their legality is extremely difficult, particularly for developing countries. For example, even in the case of internationally agreed norms, developing countries’ concerns are often inadequately reflected owing to their lack of technical skills and negotiating ability.

Preferences

39. Concern was expressed about the erosion of tariff preferences under unilateral schemes, such as the Generalized System of Preferences, the Cotonou Agreement, the Caribbean Basin Initiative, Everything But Arms and the American Growth and Opportunity Act (AGOA). Possible losses from preference erosion for some developing countries might even offset the potential gains from most-favoured-nation trade liberalization. However, much of the benefit depends on preference utilization. Developing countries already have difficulties utilizing preferences because of complex rules of origin, SPS measures and supply-side constraints. Each country needs to look at its own situation regarding specific products and main markets, the degree of preference utilization, the effects of regional trading arrangements, potential gains in other developing countries and alternative markets, other factors affecting market entry, and its own supply capabilities. Initiatives taken by some development partners with respect to relaxation of conditionalities associated with preferential schemes constitute a step in the right direction.

Market entry

40. In addition to market access barriers and international trade measures implemented by Governments, the actual ability to sell to a market is determined largely by market entry conditions. These are parameters that exporting firms have to meet in order to sell to foreign markets, including quality, traceability, appearance, cleanliness and taste, safety, authenticity, the nature of the production process, prices and speed of delivery. In the case of food items, meeting the requirements of importing firms and distribution and retailing channels is the ultimate prerequisite for success. These requirements are usually more stringent than the government regulations undertaken in accordance with the requirements of the SPS Agreement. The practical difference between market access and market entry conditions is that the former are negotiated and agreed among Governments in the WTO or regional trade agreements and are predictable and subject to legal recourse, whereas market entry conditions are often unilaterally determined, unpredictable, privately instituted, and difficult if not impossible to challenge through the WTO dispute settlement mechanism.

Competitiveness and supply capacities

41. The competitiveness of developing countries, particularly LDCs, is hampered by several structural characteristics, including high transport and communication costs that may prohibit doing business even with neighbouring countries. Agriculture in many poor countries relies more on unreliable rainfall than irrigation. High energy costs have a direct negative impact on processing industries and trade. Institutional weaknesses have an impact on the know-how of the work force. Supply capacities in many LDCs remain limited, and a very small share of their exports consists of processed products. For many LDCs, production systems are dominated by cash crops introduced by former colonial powers, and trade is still oriented towards countries with few linkages to local and regional economies. In many areas where developing countries have comparative advantages, such as agricultural commodities, these are the very products for which developed countries continue to provide trade-distorting support and subsidies, causing excess supply on world markets and unfair competition in the developing countries' home markets.

42. Governments can make a difference by taking steps to increase the competitiveness of enterprises. Successful approaches to foster the competitiveness of poor commodity-based economies in Europe and Asia have included building a knowledge-based economy and coping with tough

competition by first catching outsourcing opportunities for low-value-added products and then using R&D to move up the value chain and make differentiated products.

Commodities and development

43. The importance of the commodity sector for development and the significance of the problems faced by commodity-dependent countries, in particular LDCs, were recognized. Productivity and cost competitiveness are high, as is exemplified by the case of cotton in West Africa, but comparative advantage is negated because of international factors, such as subsidies in developed countries, in addition to domestic constraints.

44. The objective is to turn the commodity sector from an obstacle to development into an engine of growth. Identifying and exploiting the opportunities offered in the international trading system is an important step in this direction. While the particular problems of the commodity sector and the search for solutions suffered a “conspiracy of silence” during the 1990s, they are back on the agenda of the international community. UNCTAD is the principal forum for discussing commodity problems and the search for solutions, and UNCTAD XI provided a welcome opportunity in this regard.

Commodity prices: Decline and volatility

45. The declining terms of trade of commodities owing to the steady decrease of international prices of commodities were mentioned. In many cases persistent oversupply, arising from the constant pressure to increase exports in order to earn foreign exchange, was behind the decline.

46. Price volatility was also stressed as a major impediment to countries’ development. In addition to placing farmers’ revenues at risk, it hampers investment and productive diversification. At the macro level, fluctuating revenues have a negative impact on capital accumulation and on the stability of exchange rates and public finance. Dealing with these problems is a difficult task, especially for LDCs.

Commodities and poverty

47. Realizing the ambitious MDG set in 2000, especially “halving extreme poverty and hunger by 2015”, will remain difficult if the root causes of poverty are not comprehensively addressed. In poor countries, most of the active population works in commodity production or in commodity-related activities. Achievement of the Goals requires that problems related to commodity production and trade be addressed.

Commodities and debt

48. Declining terms of trade of commodities have been a key factor contributing to the difficulties of many countries, in particular heavily indebted poor countries (HIPC), in meeting their international payment obligations and financing their development. For commodity-dependent countries, debt service is financed by exported commodities, the prices of which are determined internationally. Thus, factors outside the control of the countries create high financial pressures at the time of debt payment. Among the 54 most commodity-dependent countries, 25 belong to the HIPC group.

Way forward on commodities and competitiveness

49. Given the commodity sectors' extensive backward and forward linkages with other productive sectors of the economy, a serious effort to solve the commodities issue will go a long way towards eradicating poverty. Genuine commitment from the global community should manifest itself in resources made available for financial and technical assistance to deal with the problems of the commodity sector. Solutions cannot be "one size fits all". Instead, there is a need for innovative country- and commodity-specific policies with multi-stakeholder participation in both design and implementation. The following are critical:

50. *Policy coherence:* Greater coherence and consistency in trade and trade-related policies at all levels – international, regional, and national – are necessary so that policies adopted at different levels and in different instances do not negate each other's effectiveness, but reinforce it.

51. *Sufficient policy space* for developing countries to define and implement trade and trade-related policies that maximize the impact of the commodity sector.

52. *Strengthening of developing countries' competitiveness and supply capacities* through greater national policy coherence, good governance, an open and sound regulatory framework for FDI, and investment in human and physical infrastructure. In order to upgrade production capacity, it is necessary to work with stakeholders, including the private sector, in areas such as technology, R&D, seed production, institutional and human resources development, quality and safety standards, and post-harvest handling.

53. *Sound research and analysis* are indispensable for sound policies. UNCTAD should continue its analytical work on the linkages between market access, market entry and competitiveness; on the challenges and opportunities created by large distribution networks in international trade; on niche market opportunities; and on trends in the development of private labels and their impact on developing-country exports.

54. *Specific forms of commodity financing* reflecting the particularities of the sector's production processes and trade practices. The quality of UNCTAD's work on commodity sector financing was acknowledged. Export-import banks have an important role to play in this respect as well as in financing all other trade flows. The usefulness of an international association of export-import banks was mentioned.

55. *Partnerships:* Since the problems of commodities cannot be solved through actions by Governments alone, or by the private sector or non-governmental organizations (NGOs) alone, UNCTAD should take the lead in forging effective multi-stakeholder partnerships. UNCTAD XI provides an opportunity to launch the International Task Force on Commodities.

56. *A regular programme of information exchange and capacity building* overseen by UNCTAD should enable developing countries' firms to transfer and share successful experiences, access information on standards, facilitate negotiations with developed countries on changes in standards, facilitate discussions on trade barrier issues, and enable firms to develop market entry strategies. This process would benefit from the participation of representatives from civil society, trade promotion organizations, export finance institutions, investment promotion agencies, import promotion agencies and supermarket chains. Sufficient resources need to be made available for this programme to be effective.

Chapter V

Trade in services and development implications

(Agenda item 4)

57. For its consideration of this item, the Commission had before it the following documentation:

“Trade in services and development implications: Note by the UNCTAD secretariat” (TD/B/COM.1/62)

“Report of the Expert Meeting on Market Access Issues in Mode 4 (Movement of Natural Persons to Supply Services) and Effective Implementation of Article IV on Increasing the Participation of Developing Countries” (TD/B/COM.1/64)

58. The report of the Expert Meeting on Market Access Issues in Mode 4 (Movement of Natural Persons to Supply Services) and Effective Implementation of Article IV on Increasing the Participation of Developing Countries (29–31 July 2003) was presented by the Chairperson.

Chairman’s summary

The role of services in developing countries and their contribution to development

Economic trends

59. International trade in services has become a key factor driving structural change in the world economy and is key to realizing development gains. Total exports of services quadrupled, growing from \$400 billion in 1980 to about \$1.6 trillion in 2002, while the share of services in total trade grew from 16.2 per cent to 19.4 per cent. International trade in services is dominated by developed countries; however, the role of developing countries has been increasing and their global deficit in trade in services has been shrinking. Developing countries’ total trade in services grew from 18 per cent in 1980 to 23 per cent in 2002. Whereas Asia’s share of world services exports rose from 10 to 17 percent between 1980 and 2002, the relative positions of Latin American and African countries remained stagnant at 4 and 2 per cent respectively. LDCs, as a group, constitute less than 0.5 per cent of world trade in commercial services.

Diversity in the maturity of services sectors of developing countries

60. The global figures mask quite divergent trends, reflecting regional and country specificities. Many developing countries remain outside the modern services economy, and all of them have deficits in their trade in services. The services that the domestic industry is able to provide fall mainly into the category of traditional services, such as tourism, transport and retail distribution and Mode 4. More sophisticated services, such as those linked with science and technology, are still dominated by developed-country suppliers. Services suppliers of developing countries face inherent difficulties owing to limited resources, since even their largest service providers are micro and small on the global scale. Moreover, developing countries have weak capacity to establish enterprises in other countries, and therefore are not able to take advantage of liberalization of commercial presence. In

developing a new service economy, developing countries seek to ensure that GATS does not constrain their policy choices. Developing countries needed mechanisms, particularly emergency safeguard measures, to deal with unforeseen developments in their markets while pursuing reform and liberalization.

61. Most LDCs have not been able to develop even their tourism sector, owing to their limited potential to establish themselves as attractive tourist destinations. These challenges are compounded by external factors such as erosion of preferences and competition for investment with larger economies. Assistance is needed to deal with supply constraints. Reference was made to modalities for special treatment of LDCs in services and the need for market access and national treatment by developed countries in areas of export interest to LDCs, particularly Mode 4. For small economies, services are important economic pillars; however, these economies also face important supply constraints and barriers to market access, which are compounded by their vulnerability.

Infrastructural and essential services

62. Infrastructure and essential services, which include financial, telecommunications, transport, health, education, distribution, energy and water services, are key sectors for economic development. Their importance is particularly pronounced with respect to employment creation, contribution to development and overall economic efficiency, provision of significant “spillovers” into related commercial activities, and increased trade in goods and other services. At the same time, affordability, equity and universality of access have to be ensured. The common feature of the services sector in developing countries is the inadequacy of infrastructure services, which are essential for building capacity in other services sectors. Properties of monopolistic supply and inelastic demand require significant public intervention in the delivery of water. Multimodal transport and logistics services were important for increasing the competitiveness of developing countries. Multilateral, bilateral and regional arrangements are helpful in eliminating obstacles to transport and capacity building.

63. To ensure that the social function of services is preserved with liberalization of trade, certain preconditions must be met. Opening of the services market without the previous establishment of legally stable and economically sound domestic competition and regulatory frameworks can have major negative repercussions for the capacity of the domestic services sector to survive and develop. While all countries could benefit from opening their domestic services markets, Governments should preserve their policy spaces and their ability to pursue and attain public policy objectives.

Strategic, coherent and calibrated policy reform and framework

64. Elements for a coherent, strategic approach include (i) leveraging of human resources and technology capacity building; (ii) strengthening of infrastructure, particularly telecommunications and financial services; (iii) upgrading of regulatory frameworks and competition policy; (iv) using performance requirements to build capacity via FDI; (v) providing support for SMEs, specifically in accessing financing, market information, managerial and entrepreneurial skills, and in improving the quality of service products; (vi) ensuring access to distribution channels and networks; (vii) sequencing between domestic and external liberalization; and (viii) using South-South trade as a launching pad for global competition.

New dynamic areas of trade: Outsourcing

65. Global outsourcing has created a new window of opportunity for increasing the participation of developing countries in trade, with total outsourcing estimated at \$320 billion in 2003, \$585 billion in 2005 and \$827 billion in 2008. Competitive market pressures are driving companies to outsource globally. For some developing countries, outsourcing has provided higher value added and high-skill employment opportunities. At the same time, outsourcing has raised concerns in some developed countries similar to those faced by manufacturing exporters decades ago in terms of losing jobs. These concerns in turn have led to protective measures.

Assessment of trade in services

66. Assessment of trade in services is a standing item of the WTO negotiating agenda, and developing countries need to have such an assessment before undertaking further commitments. Opening of markets may need to be re-evaluated and perhaps re-regulated, depending on the assessment of evolving market realities. Developing countries need to clearly determine their national policy objectives and the competitiveness of each sector/subsector, and to evaluate *inter alia* the proper sequencing of liberalization, the capacity of domestic firms to provide particular services, and whether this capacity would be positively or negatively impacted by further competition in the market. Other elements relate to impact on income distribution, poverty alleviation and employment, investment, infrastructural and essential services, and access to high-quality and more efficient imports of services.

The ongoing GATS negotiations

67. All countries look at the negotiations on services as an opportunity for growth and development. Liberalization of trade in services in developing countries has proceeded ahead of their existing GATS commitments, making recognition of their autonomous liberalization an important issue. Negotiations, both at the multilateral and regional levels, have so far produced limited trade liberalization, and often they have amounted to “stand-still” exercises, except for countries that recently acceded to the WTO. However, the value of stand-still commitments should not be underestimated in terms of providing security and predictability of market access. Many participants called for more liberal commitments on Mode 4 and sectors of interest to developing countries, improved access to information and distribution channels, and the gradual elimination of trade-distorting government support to services sectors. Attention should be paid to all modes of supply, as practice showed that the effective delivery of some services often required multiple modes. For most LDCs, participation in negotiations is limited. The modalities for the special treatment of LDCs should set the broad framework for negotiations between LDCs and other WTO Members.

68. Many countries are also concerned about the imbalance between progress in negotiations on market access on one hand and rule making on the other. Development of emergency safeguard mechanisms would increase confidence in the negotiations and encourage developing countries to make commitments. Government procurement is crucial for some services sectors, and some considered that the opening of such services sectors without the development of rules on public procurement would render any achievements on market opening ineffective.

69. **Mode 4:** Liberalization of Mode 4 remains an area of significant commercial potential for developing countries, especially LDCs. Developed countries would also gain from such liberalization. The asymmetry between commitments on Mode 4 and Mode 3 and the need to take corrective action

in the ongoing negotiations were highlighted. There had been limited progress in the negotiations on Mode 4, in some cases as a result of domestic regulatory systems limiting the commitments that countries are able to make under the GATS. The links between security, migration and Mode 4 have also become important issues. Developing countries view most of the initial offers made so far as insufficient and falling below commercially meaningful expectations in terms of both the quality and quantity of offers. A major effort is needed to actively engage more countries in the negotiations and to improve the economic significance of offers.

70. **Sectoral coverage:** Additional efforts are required to enhance the competitiveness of developing countries so they can take greater advantage of export markets for the ICT, business process outsourcing, other professional and business services, tourism, construction, transport and audiovisual sectors. There is mounting concern over a “snowball” effect produced by Members’ exclusion of certain sectors from the negotiations, which leads other Members to follow suit. However, it was pointed out that even the initial offers by developed countries had limited commercial value. Developing countries are aware of the importance of essential and infrastructural services and their competitiveness, which require strengthened institutional and regulatory frameworks.

71. **Outsourcing:** It is important for developing countries to request commitments in all sectors and modes where outsourcing may be relevant, including computer and related services. Developing countries can benefit, under Mode 1, from the growing outsourcing opportunities in global markets, since they have an absolute lower-cost advantage with regard to labour.

Regional and bilateral arrangements

72. Some countries perceived bilateral, regional and sub-regional free trade agreements as reducing the value and integrity of the multilateral trading system. Others considered regional arrangements as a launching pad for competing in global markets and experience building for liberalization. Reference was made to the positive experience of the Association of South-East Asian Nations (ASEAN), which started with liberalization of seven services sectors and was being expanded to deepen their coverage and quality. Further opening of services markets in the context of North-South trade should take into account the level of development of developing countries, including provisions for adjustment and for free circulation of workers. Developing countries could benefit from reducing barriers to trade in services among themselves because most of their trade was regional.

Future work for UNCTAD in the services area

73. UNCTAD was invited to further strengthen its work on trade in services, both through policy analysis to provide support to developing countries in the multilateral trade negotiations and through technical assistance. The recent Expert Meetings on Mode 4, audiovisual, environment and energy services had provided opportunities for exchange of views between stakeholders from all countries. UNCTAD was encouraged to continue playing its unique role in promoting debate on issues where consensus needed to be strengthened, especially through Expert Meetings. On Mode 4, further work is required, including on barriers and opportunities and approaches to liberalization, addressing definitional issues, and proposing creative solutions for the recognition of qualifications. The role of UNCTAD in conducting assessments of trade in services in developing countries and in identifying approaches for addressing anti-competitive practices in services was emphasized.

Chapter VI

Trade, environment and development

(Agenda item 5)

74. For its consideration of this item, the Commission had before it the following documentation:

“Trade, environment and development: Background note by the UNCTAD secretariat” (TD/B/COM.1/63)

“Report of the Expert Meeting on Definitions and Dimensions of Environmental Goods and Services in Trade and Development” (TD/B/COM.1/59)

75. The report of the Expert Meeting on Definitions and Dimensions of Environmental Goods and Services in Trade and Development (9–11 July 2003) was presented by the Chairperson.

Chairperson’s summary

76. The need to address trade and environment issues in the context of a broad agenda for sustainable development was emphasized. This in turn required increased focus on issues of key developmental concern for developing countries, such as market access; trading opportunities for environmentally preferable goods and services, including biodiversity products and services; protection of traditional knowledge and promotion of its role in the development process; and enabling measures to help solve global environmental problems. UNCTAD had an important role to play in promoting such an agenda, including paying adequate attention to the environmental and social implications of trade liberalization.

77. Issues at the interface between trade and environment cut across different areas of the multilateral trading system and trade negotiations and had important connections with other cross-cutting themes such as poverty, gender and culture.

78. There was great appreciation for the achievements under all three pillars (intergovernmental, policy analysis and technical cooperation/capacity-building activities) of UNCTAD’s work on trade, environment and development. UNCTAD XI provided an opportunity to consolidate and strengthen this work.

79. Discussions also focused on a number of UNCTAD initiatives for assisting developing countries in responding to environmental challenges and deriving benefits from environment as a production factor to increase competitiveness, diversify into high-value-added products, and promote sustainable development objectives. Appreciation was expressed for the practical, results-oriented approaches adopted in such initiatives and the focus on seizing opportunities.

80. The implications of environmental requirements for market access and competitiveness of exports from developing countries remained an issue of key concern for developing countries, especially their SMEs. Relatively few environmental regulations with possible trade implications were based on international standards. At the same time, the number of industry standards, requirements applied through the supply chain and standards set by NGOs was increasing. This posed special challenges to exporters.

81. Several delegations underscored the need to involve developing countries in the process of developing new standards concerning products of key export interest to them. There was also a need to identify policies to address information management, as well as capacity and institutional constraints in developing countries. UNCTAD could promote a positive dialogue with a view to identifying developing countries' needs in terms of the development and implementation of standards, and the transfer of environmentally sound technologies. The Commission was informed about follow-up to the recommendation, issued at its seventh session, to "explore the possibility of creating a consultative group on environmental requirements and international trade, which should closely coordinate and collaborate with relevant work and initiatives in other bodies and involve the private sector, as a project-based activity". The Government of the Netherlands had provided funding for exploratory activities. A workshop was being organized jointly by the UNCTAD secretariat and the National Institute of Metrology, Standardization and Industrial Quality (Inmetro) in Brazil, as a pre-UNCTAD XI event (Rio de Janeiro, 7 and 8 June).

82. In dealing with environmental and SPS requirements as they related to market access, a major challenge for developing countries was the highly complex, scientific and technical nature of those requirements. One delegation referred to the Technical Expertise Trust Fund, established at the Advisory Centre on WTO Law with a view to promoting low-cost access to scientific and technical expertise. The delegation supported exploratory activities conducted by the secretariat to improve access to scientific and technical advice for trade policy makers and negotiators.

83. The Commission welcomed the outcome of the expert meeting on Definitions and Dimensions of Environmental Goods and Services in Trade and Development (9–11 July 2003). It had provided useful insights on issues of definition and classification as well as the developmental dimension of trade liberalization. There was broad support for the recommendations by experts, particularly recommendations to the secretariat. UNCTAD should continue to contribute to the clarification of issues related to trade in EGS and to assist developing countries in promoting national and regional policy dialogues; undertaking studies; and compiling lists of EGS that reflected their trade, environmental and developmental priorities. EGS could become an important area for a comparative analysis of trade liberalization at the multilateral and regional levels.

84. Reference was made to the call in the Johannesburg Plan of Implementation to promote the creation and expansion of markets for environmentally preferable products and services. UNCTAD XI provided an opportunity to discuss ways for developing countries to benefit from dynamic sectors in world trade to diversify exports into value-added products. Developing countries had comparative advantages in many sectors – for example, products promoted under the Biotrade Initiative, organic agricultural products and environmentally preferable services, such as eco-tourism. Several developing countries had export potential in renewable energy products and technologies.

85. There was great appreciation for the contribution of Biotrade as an effective tool to combine economic growth, trade promotion, export diversification and investment in support of the sustainable use and conservation of biodiversity. Satisfaction was also expressed with the progress made in the implementation of national Biotrade programmes and with the results of partnerships launched at the World Summit on Sustainable Development, in particular the launching of the Biotrade Facilitation Programme by UNCTAD and ITC (with the financial support of the Governments of Switzerland and the Netherlands) and the Andean-Amazonian Biodiversity Investor Forum.

86. A representative of the Andean Community reported on progress achieved by the Biotrade Initiative in capturing the income generation and export potential of natural products in mega-diverse Andean countries. The promotion of sustainable use of biodiversity had enabled greater value added

and efficiency in production processes; more equitable sharing of benefits (participatory through initiatives with local communities and the private and public sectors); real contributions to poverty eradication, including in remote areas; and conservation of biodiversity resources. Key elements of the Biotrade initiative in the region included greater coherence in export, investment promotion and environmental policies; targeted participatory and capacity-building activities; and development of strategic alliances with development banks, trade promotion authorities and regional institutions.

87. Support was expressed for UNCTAD's work to promote trade and investment opportunities arising from the Climate Change Convention and the Kyoto Protocol with a view to enabling developing countries to take full advantage of the clean development mechanism.

88. Developing countries emphasized the importance they attached to traditional knowledge (TK). There had been increasing interest in the international debate in exploring holistic approaches to preserving TK; protecting TK against misappropriation; promoting the further development of TK systems and TK-based innovation; integrating TK into development strategies; and promoting the sustainable use of TK, including through appropriate commercialization and benefit sharing. UNCTAD, in cooperation with other organizations, could play a useful role in facilitating the exploration of holistic approaches to the issues at stake from a development perspective, which was considered very useful in the consideration of actions that could be taken in relevant international forums, particularly the Convention on Biological Diversity, the World Intellectual Property Organization, the WTO and the Food and Agriculture Organization.

89. Many delegations expressed appreciation for UNCTAD's capacity-building activities on trade, environment and development. The UNCTAD/FIELD project Building Capacity for Improved Policy Making and Negotiation on Key Trade and Environment Issues, funded by the UK Department for International Development (DFID), had made an important contribution to enhanced understanding of issues related to EGS in Central America and the Caribbean. In addition, detailed studies on environmental requirements, market access and competitiveness had been or were being prepared in six Asian countries. National and regional workshops were being organized to propose practical initiatives and proactive adjustment policies to strengthen capacities to comply with environmental requirements. Several delegates stressed the need to secure adequate funding for continued support for such capacity-building activities. Some delegates referred to the recommendation by the Working Party on the Medium-Term Plan and the Programme Budget at its forty-first session (September 2003) to expand the geographical coverage of UNCTAD's technical cooperation/capacity-building programme, in particular to Africa.

90. The need for effective cooperation with other institutions was emphasized. The UNEP-UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF) was considered a good example of effective interagency cooperation. The CBTF could be used to promote a multidisciplinary approach that would take into account the wide-ranging expertise essential for managing trade and environment linkages, including in work on multilateral environmental agreements and integrated impact assessments. There was appreciation for recent initiatives to expand CBTF activities to Africa and small island developing states (SIDS). UNCTAD should also strengthen its cooperation with other institutions, in particular UNIDO, in relevant areas of work.

Chapter VII

Implementation of agreed conclusions and recommendations of the Commission, including the post-Doha follow-up

(Agenda item 6)

91. For its consideration of this item, the Commission had before it the following documentation:

“Progress report on the implementation of agreed conclusions and recommendations of the Commission, including the post-Doha follow-up: Note by the UNCTAD secretariat” (TD/B/COM.1/61)

Chairperson’s summary

92. The **Director of the Division on International Trade in Goods and Services, and Commodities** reported on the implementation of the agreed conclusions and recommendations of the Commission during the period March–November 2003. Two broad categories of activities were undertaken: (a) trade negotiations and analysis on follow-up to the post-Doha work programme, and (b) policy analysis and capacity-building work on commodities, services and environment. Reference was also made to activities related to competition policy and consumer protection issues. Attention was paid to inter-agency cooperation in the delivery of activities. UNCTAD had contributed to the UN-system-wide effort to strengthen collaboration and coordination in trade and trade-related areas. The secretariat expressed its appreciation to the donor countries that had provided financial support for the delivery of the technical assistance and capacity-building activities.

Chapter VIII

Action by the Commission and statements at the closing plenary

Action by the Commission

93. At its closing plenary, on 13 February 2004, the Commission adopted agreed recommendations on agenda items 3 and 4. (For the text of the agreed recommendations, see chapter I above.)

Closing statements

94. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China** and referring to agenda item 5, on which it had not been possible to agree on recommendations to the UNCTAD secretariat, said that the Group of 77 welcomed UNCTAD's intergovernmental work, policy analysis, and capacity-building activities in the area of trade, environment and development. UNCTAD should continue to play an important role in addressing trade, environment and development linkages and in following up on the Johannesburg Plan of Implementation, paying special attention to the needs of developing countries, especially in areas such as market access; trading opportunities for environmentally preferable products; environmental goods and services; biotrade; traditional knowledge; environmentally sound technologies; specific trade obligations in multilateral environmental agreements; promotion of trade and investment opportunities arising from the Clean Development Mechanism; assessment of sustainable development implications of trade liberalization; and enhancing understanding of the environmental and developmental implications of biotechnologies.

95. The Group of 77 welcomed steps taken by the secretariat to explore, as a project-based activity, the possible creation of a Consultative Task Force on Environmental Requirements and Market Access for Developing Countries.

96. UNCTAD should strengthen the Biotrade initiative, including through the Biotrade partnerships, and the joint UNCTAD/UNEP Capacity-Building Task Force and expand the geographical scope of their activities.

97. The representative of **Venezuela** said it was regrettable that, in the discussions on draft recommendations on agenda item 5, the United States delegation had opposed a reference to traditional knowledge, an issue of fundamental importance to developing countries. That stance had prevented the Commission from agreeing on recommendations in an important area of its work. Her delegation reaffirmed its support for the Bangkok Plan of Action and for the strengthened mandate of UNCTAD with respect to traditional knowledge.

98. The representative of **Argentina**, speaking on behalf of the **Latin American and Caribbean Group**, said it was regrettable that no agreement had been reached on recommendations under agenda item 5.

99. The representative of **Senegal**, speaking on behalf of the **African Group**, said that the inability to reach agreement under agenda item 5 was to be regretted. His Group had been flexible

throughout the session and had hoped to see the same flexibility on the part of others for the international system to work satisfactorily.

100. The representative of **India** said that the Commission's discussions had been exceptionally rich. She regretted that agreement had not been reached under agenda item 5 and expressed support for the work of UNCTAD in the interests of the developing countries as provided for in the Bangkok Plan of Action.

101. The representative of **China** expressed regret regarding the absence of agreement under agenda item 5 and voiced continued support for UNCTAD's work.

102. The representative of **Bangladesh** said that not to agree on recommendations under agenda item 5 was in violation of what had been agreed at UNCTAD X and at the Mid-Term Review. In addition, not to agree on the grounds of lack of time was unacceptable, and his delegation would not be able to go along with such an approach in future. He hoped that work on trade and environment would be strengthened.

103. The representative of **Benin**, speaking on behalf of the **Least Developed Countries**, said that it should have been possible to agree on recommendations under agenda item 5, and the opposition of some members in that respect would not help consensus building, which was regrettable. Paragraph 9 of the guidelines for the functioning of the UNCTAD intergovernmental machinery (TD/B(S-XIX)7, part I, section A.2) should be revisited.

104. The representative of **Ethiopia** said that the Commission did not have the authority to go against the language agreed on at the level of the Conference. The lack of agreement on agenda item 5 was an unfortunate outcome that encroached on the authority of the Conference. It should not be taken as a precedent.

105. The representative of **Switzerland** said that the Commission's session had been intensive and fruitful, but that the interactive nature of its discussions should be enhanced. In addition, more time should be set aside for discussion of recommendations. Switzerland strongly regretted that no agreement had been reached on the draft recommendations presented under agenda item 5, with which it had been basically in agreement. UNCTAD, in cooperation with others, had an important role to play in the field of trade, environment and development, and his delegation welcomed the strong support expressed for work on biotrade and its enhancement.

106. The representative of **Ireland**, speaking on behalf of the **European Union**, said that the Commission had had interesting discussions on concrete issues, and the panel discussions had been useful. Although no agreement had been reached on recommendations under agenda item 5, the discussions on the item had been important.

107. The **Deputy Secretary-General of UNCTAD** said that the Commission had had a very good session, looking at crucial, real issues. There had been a robust confrontation of views, and generating provocative discussions was in fact one of the *raison d'être* of UNCTAD. No agreement had been reached on recommendations under agenda item 5, but that was normal in cases where Governments felt strongly. The absence of agreement was not a fundamental setback, but a challenge to reach consensus in the future. The Commission had moved understanding of trade forward and had therefore fulfilled its role.

108. The **President** said that the Commission had conducted a strategic overview of some of the most burning issues of the international trading system from a development perspective. It had made

an important contribution to the follow-up of the Doha Work Programme, it had clarified a number of substantive issues pertaining to the theme of UNCTAD XI, and it had demonstrated UNCTAD's critical role in policy analysis, confidence building and consensus making on trade issues. He underscored the excellent contribution of the secretariat and the exceptionally high quality of the documentation.

Chapter IX

Organizational matters

Opening of the session

109. The eighth session of the Commission was held at the Palais des Nations, Geneva, from 9 to 13 February 2004. In the course of the session, the Commission held three plenary meetings and eight informal meetings. The session was opened on 9 February by Mr. Toufiq Ali, Chairperson of the Commission at its seventh session.

Election of officers

110. At its plenary meeting, on 9 February, the Commission elected its Bureau as follows:

Chairperson:	Mr. Dimiter Tzantchev (Bulgaria)
Vice-Chairpersons:	Mr. Enrique A. Manalo (Philippines)
	Mr. A. O. K. Dipeolu (Nigeria)
	Mr. Eduardo Varela (Argentina)
	Mr. Stefano Lazzarotto (Switzerland)
	Mr. Niklas Bergström (Sweden)
Rapporteur:	Ms. Ana Rocanova (Uruguay)

Adoption of the agenda and organization of work

111. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.1/60. Accordingly, the agenda for the eighth session was as follows:

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

Provisional agenda for the ninth session of the Commission

112. At its closing plenary meeting, on 13 February, the Commission approved the draft provisional agenda for its ninth session (see annex I) and the topics for Expert Meetings for 2004 (see annex II).

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

113. At its closing plenary meeting, the Commission adopted its draft report (TD/B/COM.1/L.27 and Add.1), subject to any amendments to the summaries of statements; decided to include in its report Chairperson's summaries on the substantive items; and authorized the Rapporteur to finalize the report in the light of the proceedings of the closing meeting.

Annex I

Provisional agenda for the ninth session of the Commission

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

Annex II

Expert Meeting topics for 2004

1. Trade and development aspects of professional services and regulatory frameworks
2. New and dynamic sectors
3. Financing of commodity-based trade and development

Annex III

Attendance *

1. The following States members of UNCTAD were represented at the session:

Argentina	Lebanon
Bangladesh	Lesotho
Barbados	Libyan Arab Jamahiriya
Belgium	Luxembourg
Benin	Madagascar
Bhutan	Malaysia
Bosnia and Herzegovina	Mali
Brazil	Mauritius
Bulgaria	Monaco
Cameroon	Morocco
Canada	Nepal
Chile	Netherlands
China	Nicaragua
Colombia	Nigeria
Cuba	Philippines
Czech Republic	Poland
Democratic Republic of the Congo	Republic of Korea
Ecuador	Russian Federation
Egypt	Rwanda
Eritrea	Saudi Arabia
Estonia	Senegal
Ethiopia	Slovenia
Finland	South Africa
France	Spain
Germany	Sri Lanka
Ghana	Sudan
Greece	Sweden
Guatemala	Switzerland
Honduras	Thailand
Iceland	Trinidad and Tobago
India	Tunisia
Indonesia	Uganda
Iran (Islamic Republic of)	United Arab Emirates
Ireland	United States of America
Italy	Uruguay
Jamaica	Venezuela
Jordan	Zambia
Kazakhstan	Zimbabwe
Kenya	

* For the list of participants, see TD/B/COM.1/INF.8.

2. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
African Union
European Community
European Free Trade Association
Organisation Internationale de la Francophonie
Organization of the Islamic Conference
South Center
World Customs Organization
World Tourism Organization

3. The following United Nations agencies were represented at the session:

Economic and Social Commission for Asia and the Pacific
Economic Commission for Africa
Economic Commission for Europe

4. The following specialized agencies and related organizations were represented at the session:

United Nations Industrial Development Organization
World Trade Organization

5. The following non-governmental organizations were represented at the session:

General Category

International Center for Trade and Sustainable Development
International Confederation of Free Trade Unions
International Council of Nurses
Third World Network
World Wildlife Fund

6. The following special invitees attended the session:

Mr. Erfried Adam, Director Geneva Office, Friedrich-Ebert Stiftung, Geneva, Switzerland
Mr. Richard Corriette, Vice President Corporate Citizenship Unit, DHL Worldwide Network,
Diegem, Belgium

7. The following resource persons attended the session:

Mr. Rolf Boehnke, Managing Director, Common Fund For Commodities, Amsterdam, the
Netherlands
Mr. Carlos M. Correa, Professor, University of Buenos Aires, Argentina
Mr. Paulo Ferracioli, Director, International Affairs, National Institute of Metrology,
Standardization and Industrial Quality (INMETRO), Ministry of Industry, Commerce
and Tourism, Brazil
Mr. J. Michael Finger, Eminent Trade and Development Expert, Resident Scholar, American
Enterprise Institute, Texas, United States
Mr. Douglas Gregory, Vice President, Governmental Programs, IBM Europe/Middle East/
Africa, Brussels, Belgium
Mr. Jean-Claude Kohler, Purchasing Manager (fruits, vegetables and flowers), Migros,
Geneva, Switzerland

Mr. Tom Lines, Consultant in Agricultural Trade, Oxford, United Kingdom
Ms. Luisa Elena Guinand Quintero, Coordinator, Sustainable Development and Environment Programme, Secretariat of the Andean Community, Lima, Peru
Mr. Dani Rodrik, Professor of International Political Economy, John F. Kennedy School of Government, Harvard University, Massachusetts, United States
Mr. S. Shridhar, Managing Director, Exim Bank of India, Mumbai, India
Mr. Manickam Supperamian, Former Ambassador of Malaysia to WTO, Kuala Lumpur, Malaysia
