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Chairman: Mr. Balarezo. (Peru)

Contents

Agenda item 87: Globalization and interdependence

(e) Integration of the economies in transition into the world economy

Introduction of draft resolution A/C.2/59/L.19

Agenda item 44: Information and communication technologies for development

Introduction of draft resolution A/C.2/59/L.18

Agenda item 83: Macroeconomic policy questions

(a) International trade and development

(d) Commodities

Continuation of general discussion

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The meeting was called to order at 9.50 a.m.

Agenda item 87: Globalization and interdependence

(e) Integration of the economies in transition into the world economy

Introduction of draft resolution A/C.2/59/L.19

1. **Mr. Holubov** (Ukraine), introducing the draft resolution in document A/C.2/59/L.19, said that it was based on General Assembly resolution 57/247. Some minor changes had been made to articulate specific concerns of transition economies. Particular emphasis was also placed on the need to implement the Monterrey Consensus and the Johannesburg Plan of Implementation. He hoped the draft resolution would gain the broadest possible support and be adopted by consensus.

Agenda item 44: Information and communication technologies for development

Introduction of draft resolution A/C.2/59/L.18

2. **Mr. Moret** (Switzerland), introducing the draft resolution in document A/C.2/59/L.18, which was also sponsored by Tunisia, said that the draft was procedural in nature and had been drawn up in consultation with all interested Member States.

Agenda item 83: Macroeconomic policy questions (A/59/80-E/2004/61, A/59/80/Corr.1-E/2004/61/Corr.1, A/59/115 and A/59/155-E/2004/96)

(a) International trade and development (A/59/15 (Parts I-V), A/59/305 and A/59/369)

(d) Commodities (A/59/304)

Continuation of general discussion

3. **Mr. Chowdhury** (Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States), stressed the importance of the trade in commodities and said that the least developed countries had not been in a position to sustain consistent export growth. They had not been able to expand their export earnings through significant

diversification into manufactured goods with value added. In commodity-dependent LDCs, especially in Africa, the potential for external trade to accelerate economic growth and poverty reduction had been undermined by unstable and falling world commodity prices. The least developed countries, the landlocked developing countries and some small island developing States were hindered by their weak supply capacity, high transport costs, trade barriers and high subsidies.

4. Major market-access initiatives taken by developed countries, such as the Everything But Arms (EBA) programme of the European Union, the Africa Growth and Opportunity Act (AGAO) of the United States and other bilateral preferential market arrangements were highly commendable. Nevertheless, not many LDCs had benefited from those trade preference measures. Such measures should be accompanied by substantial programmes of trade capacity-building and productive capacity-building, including the required physical infrastructure, as called for in the Brussels Programme of Action and as reaffirmed at the fifty-first session of the Trade and Development Board. His Office appreciated the work being done by the six participating agencies in the Integrated Framework for Trade-Related Technical Assistance to LDCs. He called for more financial contributions to that very useful programme.

5. The main obstacle preventing the landlocked developing countries and the small island developing States from taking part in and benefiting from external trade were the high trade transaction costs stemming from landlockedness or remoteness from major trading centres and routes. Those issues and the needed response were highlighted in the Almaty Programme of Action. The concerns of the small island developing States and necessary special measures would also be addressed at the forthcoming International Meeting for the Ten-Year Review of the Barbados Programme of Action, to be held in Mauritius in 2005.

6. The volatility and wild fluctuations of commodity prices on the world markets aggravated difficulties in macroeconomic management, especially for weak and commodity-dependent LDC economies. There was a huge differential between the price paid by final consumers in the industrial countries and the price received by producers in the LDCs. The international community should look into that major problem when addressing development and trade issues, especially with regard to commodity trade.

7. The subsidies provided by industrial countries to their farmers also undermined the competitiveness of LDC commodity producers. There had been some efforts on the part of the United States and the European Union to address the issue of agricultural and trade subsidies, but it was time for immediate action. Effective and specific solutions should be sought in negotiations conducted in the context of the World Trade Organization (WTO).

8. A good number of LDCs, landlocked developing countries and small island developing States were full of concern and apprehension about the forthcoming elimination of quantitative restrictions on imports of garments and textiles, due to take effect on 1 January 2005, with the expiration of the multilateral Agreement on Textiles and Clothing. The fierce competition that would ensue following the expiration of the Agreement should be closely monitored, and development partners should be ready to adopt concrete support measures to mitigate any negative impact on the LDCs. Policy makers in LDCs, landlocked developing countries and small island developing States should prepare to tackle the effects of the expiration of the Agreement on their economies and with the support of their bilateral and multilateral partners start designing strategies and measures aimed at protecting their fair share of the export markets and attracting investments in the textile and garment industries. In that regard, increased South-South cooperation and technical assistance could also help alleviate the concerns and apprehension of the vulnerable countries.

9. In conclusion, he wished to reaffirm the Spirit of São Paulo and reiterate the São Paulo Consensus, while reminding the international community of their commitment to the most vulnerable countries.

10. **Mr. Richardson** (Observer for the European Commission), speaking on behalf of the European Union, said that his statement complemented the statement made at the 8th meeting by the European Union Presidency on agenda items 83 and 84. The Candidate Countries Bulgaria, Romania, Turkey and Croatia, the Countries of the Stabilization and Association Process and potential candidates Bosnia and Herzegovina, The former Yugoslav Republic of Macedonia and Serbia and Montenegro aligned themselves with his statement.

11. The European Union was committed to ensuring a continued contribution of commodity sectors to

poverty eradication and to the achievement of the Millennium Development Goals. In April 2004, the European Union had adopted an Action Plan on Agricultural Commodities, Dependence and Poverty, as well as a proposal for a European Union-Africa Partnership for cotton sector development. Both initiatives proposed actions at all levels to improve the incomes and reduce the vulnerabilities of commodity-dependent developing countries and commodity producers.

12. In commodity-dependent developing countries, a more strategic support for the commodity sectors was needed. The European Union stood ready to intensify its support and encouraged others to do the same. The international corporate sector was a major actor in commodity trade. The European Union would support initiatives to support mainstreaming of sustainable production practices into corporate practices and help build capacity to enable commodity-dependent developing countries to benefit from related opportunities, including through public-private partnerships.

13. Regional cooperation could contribute greatly both with regard to traditional commodities, by achieving cost reductions, and with regard to diversification, by promoting regional trade. The European Union stood ready to enhance its collaboration with and support for its partners, for instance in the context of negotiations between the European Union and the African, Caribbean and Pacific countries on Economic Partnership Agreements. At the international level, the Union supported access to commodity risk insurance for producers and was exploring new approaches to stock management at the macro level. It also recognized the important role of international commodity bodies as forums for cooperation between producer and consumer countries, including with the private sector, and was committed to intensifying reflection on their contribution to market functioning, sustainable development and other common interests of the sectors, and to commodity chain strategies in commodity-dependent developing countries.

14. The European Union had very favourable market access conditions for imports from commodity-dependent developing countries under the Everything But Arms programme, the EU-ACP Cotonou Agreement and the Generalized System of Preferences (GSP). More efforts were also needed for countries to

make use of market access opportunities, including by capacity-building in developing countries and support for those efforts.

15. South-South trade was growing twice as fast as global trade and could become a main source of export earnings for developing countries. The European Union believed that the integration of trade in development strategies of developing countries was crucial, and aimed to support such efforts by providing increased trade-related assistance. The European Commission had stepped up its efforts in that field significantly.

16. The European Union attached the highest priority to a successful conclusion of the Doha Work Programme, based on a broad agenda including ambitious trade opening, strengthened trade rules and a specific focus on the needs and interests of developing countries in order to promote their integration into the world trading system. Agriculture was the area of the Doha Work Programme where the most efforts had been made and the most progress achieved, notably owing to the proposal made by the European Union to phase out all forms of export subsidies. Efforts were now needed from all countries to reach a good final agreement, coupled with efforts to improve the competitiveness of developing countries. The European Union action plan on commodities was a contribution to such efforts.

17. Coherence and development focus in all policies, including trade and commodity policies, would be key to fulfilling the commitments of Doha, Monterrey, Johannesburg and New York. The European Union was fully committed and would continue its efforts in that regard.

18. **Mr. Chaudhry** (Pakistan) said that the revival of the stalled Doha process in WTO was a welcome development. However, the real success of the August Agreement would be measured in terms of the development objectives of the Doha Round. Accommodating the concerns of developing countries and facilitating their integration into the global economy should be seen neither as a zero sum game nor as an act of charity. The developed countries had as much to gain from the process as the developing countries.

19. The framework agreements should be developed into concrete, detailed and specific modalities for the early conclusion of the negotiations that responded to the needs and concerns of the developing countries and

were conducted in an inclusive and transparent manner. The process should ensure that developed countries committed to substantially reducing domestic support and eliminating agricultural export subsidies. The end date for such subsidies should be agreed soon, and there should be safeguards against any possible abuse of the "sensitive products" mechanism to deny market access to products from developing countries. The deferment of the finalization of modalities for tariff escalations, tariff simplifications and special safeguard mechanisms in the context of agriculture market access should not delay action in that important area.

20. The developing countries must be given flexibility to deal with their special products, and they should be able to resort to special safeguard mechanisms to protect themselves against sudden surges in imports. The integration of cotton into the main framework should not detract from the priority attached to the trade-related and development-related aspects of the cotton initiative. The framework on non-agricultural market access should adequately reflect the principle of less-than-full reciprocity in line with the development thrust of the Doha Round. That framework still lacked clarity and should be appropriately elaborated to avoid any future controversy and misinterpretation. Similarly, the reduction or elimination of high tariffs, tariff peaks and tariff escalation, as well as non-tariff barriers, particularly on products of export interest to developing countries, should be ensured.

21. The arbitrary use of non-tariff barriers must be eliminated, particularly the abusive application of anti-dumping, sanitary and phytosanitary standards and other trade-distorting measures. The WTO Agreement on Textiles and Clothing that provided for the complete Multifibre Arrangement phase-out by 31 December 2004 must be fully and faithfully implemented. After that date, market access to textile exports from the developing countries must not be denied through the use of other measures and trade barriers. The developing countries' concerns on special and differential treatment and implementation should be addressed comprehensively, since the framework agreement contained few new commitments on those core issues.

22. Developing countries should not be required to make commitments under the framework on trade facilitation that they could not implement, for instance for financial reasons; substantial support and assistance

should be extended to them to implement future commitments. The Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) should be reviewed, taking fully into account its development dimensions. Special attention should be given to sectors and modes of supply of export interest to developing countries in negotiations under the General Agreement on Trade in Services (GATS), especially mode IV, on the movement of natural persons. Trade, debt and finance and transfer of technology issues covered in the Doha Work Programme should be addressed as a matter of urgency in the resumed Doha Round negotiations.

23. By focusing on the development dimension of the international trading system in the São Paulo Consensus, UNCTAD XI had reinforced the perception that trade was not an end in itself but a means to growth and development. His delegation welcomed the decision by UNCTAD XI to initiate a new round of negotiations on the Global System of Trade Preferences Among Developing Countries and the establishment of the task force on commodities. He noted with satisfaction that UNCTAD XI had played an important bridge-building role that had resulted in the revival of the Doha process. Indeed, UNCTAD could play an important role as the “development conscience” in the field of international trade. The ability of the United Nations system, including UNCTAD, to meet the expectations of Member States in the area of development, which was inextricably linked to trade, would largely determine the continued importance and relevance of the United Nations system.

24. **Mr. Al-Nasser** (Qatar), speaking on behalf of the Group of 77 and China, said that the São Paulo Consensus had reaffirmed the objectives of the Millennium Development Goals of upholding and safeguarding an “open, equitable, rule-based, predictable and non-discriminatory multilateral trading system” and had highlighted certain trade and development issues as prerequisites for ensuring development gains for developing countries. The adoption of the July Package by WTO should enable all parties to move forward in negotiations following the setbacks at the Cancún Third WTO Ministerial Conference in 2003. From the perspective of the Group, those negotiations should achieve a number of priorities.

25. An open, transparent, inclusive, democratic and more orderly process and procedures were needed for the effective functioning of the multilateral trading system, including in the decision-making process, so as to enable the developing countries’ vital interests to be duly reflected in the outcome of trade negotiations. Specific development needs and interests of developing countries should be fully addressed so as to ensure equitable and balanced outcomes within and across the areas of negotiations.

26. The Group continued to attach the utmost importance to implementation-related issues and concerns and special and differential treatment. Efforts had to be redoubled in order to find an appropriate solution and to take action by a specific date on the outstanding issues.

27. Agriculture remained the centrepiece of negotiations, which should achieve substantial improvements in market access, the reduction of all forms of export subsidies with a view to a gradual phase-out and substantial reductions in trade-distorting domestic support. It was important to take into account specific development needs in all three pillars of negotiations. The Group welcomed the commitment to address cotton issues ambitiously, expeditiously and specifically, and considered that the subcommittee concerned should closely monitor progress in that regard.

28. The Group noted with great concern that a large number of developing countries, particularly LDCs and commodity-dependent developing countries, continued to remain marginalized in international trade and the trading system and were still vulnerable to external shocks. The commodity sector continued to be the mainstay of many of their economies and required special attention from developing countries and the international community, including under the Doha negotiations framework.

29. With regard to non-agricultural market access, developing countries had concerns and problems regarding the initial elements for full modalities contained in the non-agricultural market access framework. The key was to remove tariff peaks and escalations for exports of developing countries in their major markets and to improve market access. At the same time, negotiations should fully take into account special differential treatment, including less-than-full reciprocity in reduction commitments, and should

address specific development concerns of developing countries.

30. Of particular importance to a number of developing countries was the liberalization of the textiles and clothing sector, and the expiry of the quota system on 1 January 2005. That system should not be replaced by new barriers, such as contingency protection measures. The LDCs should benefit from duty-free and quota-free market access conditions for all products in accordance with commitments made at the Fourth WTO Ministerial Conference and the Brussels Programme of Action adopted at the Third United Nations Conference on the Least Developed Countries.

31. Negotiations on services should ensure effective multilateral commitments on services sectors and modes of supply of export interest to developing countries. Due attention should also be given to infrastructure services, including in connection with the provision of essential services.

32. It was important to apply, in the framework of WTO negotiations, the principle of synergy and proper sequencing between the capacities of developing countries, their level of obligations, cost of implementation and the adequacy of financial and technical resources made available to them. All countries should benefit from the multilateral trading system the universality of which would strengthen its legitimacy and viability. Efforts should be redoubled to achieve WTO universality. The Group called for accelerating accession, without political impediments and in an expeditious and transparent manner, of all developing countries, in particular LDCs.

33. South-South Trade cooperation had emerged as a complementary avenue to multilateral trade within the context of the new geography of international trade, and the Group had noted with satisfaction the decision to launch the third round of negotiations under the Global System of Trade Preferences among developing countries on the basis of the principle of mutuality of advantages.

34. The Group called on UNCTAD to monitor and assess the evolution of the international trading system and trends in international trade from a development perspective, and in particular to analyse issues of concern to developing countries and help them develop capacities to establish their own negotiating priorities and to negotiate trade agreements. The Group further

called on UNCTAD to undertake comprehensive action on commodities, including through the operationalization of the International Task Force on Commodities, and enable it to begin its work.

35. The Group welcomed the report of the Secretary-General on world commodity trends and prospects (A/59/304), which afforded some hope for commodity-producing developing countries of improving demand and market conditions as a result mainly of increased South-South trade. UNCTAD had rightly emphasized the strong relationship between commodity dependence and poverty, and the report had stated that two billion people depended for their livelihood on the commodity sector. The chances of achieving the Millennium Development Goal on poverty reduction therefore largely depended on improving the returns to developing countries from commodity production and export. The historically low level of real prices did not bode well in that respect. Special attention needed to be paid to the commodity sector both by developing countries and by the international community. The provision of development assistance was of utmost importance. It was regrettable that the flow of assistance to the agricultural sector had declined, and the Group was hopeful that trend would be reversed.

36. The reform of the multilateral trading system was extremely important, although price instability in commodity markets would remain a challenge both to the governments of developing countries and to commodity producers and exporters. There was a need for measures to reduce the negative effects of price fluctuations, and also for a review of compensatory financing schemes with a view to making them more operational and responsive to the needs of commodity producers and the governments of commodity-dependent developing countries. The problem of persistent oversupply of some commodities and the resulting depressed prices also needed to be addressed.

37. Diversification remained the best long-term solution to those problems, and in that respect, the new International Diversification Fund would play a crucial role. The Group urged its development partners to give renewed and constructive consideration to the details of the proposed Fund.

38. For commodity-dependent developing countries to benefit fully from the "window of opportunity" identified by UNCTAD, efforts were needed not only by Governments and the international community but

also by the private sector and civil society. The Group therefore welcomed the launching of the International Task Force on Commodities of which it had high expectations. It urged donors and international organizations to contribute to the activation of the International Task Force.

39. **Mr. Kondakov** (Russian Federation) said that expanding world trade and putting it on a more equitable footing would create additional possibilities for helping developing countries to achieve the Millennium Development Goals. A number of developing countries at UNCTAD XI had stressed the need for greater self-reliance and more active deployment of the underutilized potential of the developing countries in solving development problems. The Russian Federation called on developing countries to be more vigorous in their development of national strategies to fight poverty that were based on a reasonable macroeconomic policy, good governance and greater reliance on the private sector.

40. The Russian Federation endorsed the approaches reflected in the UNCTAD report on its eleventh session, such as access for all countries without exception to the advantages of globalization and minimization of its risks, taking account of national specificities, maintenance of a reasonable balance between the role of the State and market forces in managing the economy, and a fair distribution of effort between the international community and national Governments in achieving development goals. The Russian Federation welcomed the expansion of UNCTAD activities for countries with economies in transition, in terms of foreign direct investment and membership in WTO.

41. The Russian Federation was actively conducting negotiations on joining WTO, and considered that it was inadmissible to discuss in the negotiations ideas and concepts, such as the Singapore issues, which were still the subject of discussion within WTO itself.

42. The Russian Federation was genuinely promoting the liberalization of international trade by lowering import duties and applying a special preference regime to imports from developing countries. The most favourable regime was enjoyed by the LDCs: the majority of their goods entered the country duty-free, without quantitative limits and free of protectionist measures.

43. The Russian Federation considered that regional trade agreements played an important role in developing an international trade system, and had itself concluded agreements with its neighbours to achieve a mutual liberalization of trade; those agreements concerned the Single Economic Space, the Eurasian Economic Community and the Central Asian Cooperation Organization.

44. **Mr. Zhang** Yishan (China) said that regional cooperation and regional economic integration had become increasingly important, steering economic globalization in a direction that promised shared prosperity for all cultures. On the other hand, uneven development was becoming an increasingly acute problem, with distortions in the international trading system impeding the development of the majority of developing countries. The wealth gap between North and South was widening. All members of the international community shared responsibility for finding an effective solution to those problems, which was imperative for the further development of the world economy.

45. The success of UNCTAD XI had been important in restoring confidence in the multilateral trading system. The São Paulo Consensus was a generally balanced document, and UNCTAD's three major functions — policy research and analysis, the promotion of consensus and technical cooperation — had been strengthened. Given the challenges posed by globalization to the developing countries, UNCTAD should see its role of promoting the trade and economic growth of the developing countries strengthened rather than weakened.

46. China had always advocated an equitable, just, open and non-discriminatory multilateral trading system that was conducive to the long-term stable development of the world economy and trade. As a result of the joint efforts of developed and developing countries, a framework agreement had been reached on core issues on the Doha development agenda. However, that was only an interim step. Serious differences on substantive issues such as agricultural and non-agricultural market access had not been resolved, and tough negotiations lay ahead. China believed that the theme of development and special and differential treatment for developing countries deserved priority attention. The wide-ranging commitments made by applicants for WTO membership should be taken into full consideration and

their special concerns effectively addressed. Agricultural export subsidies should be completely eliminated, trade-distorting domestic support substantially reduced and opportunities for market access greatly enhanced. On the question of non-agricultural market access, the tariff-reduction formula should effectively reduce high tariffs, tariff peaks and tariff escalation. China welcomed the integration of trade in textiles and clothing into the multilateral trading system, and was opposed to new protectionist measures that impeded the normal functioning of that trade. China was thoroughly committed to the Doha development agenda, and stood ready to strengthen cooperation with all parties and actively promote the development agenda with a view to reaching an agreement that was balanced and consistent with the Doha Declaration.

47. China's basic aim had always been to achieve common development with other countries, in particular, the developing countries. China's trade growth had forcefully spurred its economic and trade relations, especially with the developing countries, and its economic growth had had an obvious locomotive effect on the world economy, providing the world with a huge new market. While adopting a "welcoming in" approach in its development process, China was also vigorously implementing the strategy of "going out" and encouraging Chinese enterprises to invest abroad. According to UNCTAD projections, China would become the world's fifth largest source of foreign direct investment in 2004. Its "going out" strategy had made a positive contribution to the economic and social development of recipient countries.

48. China was committed to even more active participation in economic globalization and would work with all parties to promote the new WTO round of negotiations with a view to creating a new international economic order that was more conducive to common development, promising "win-win" and "multiple win" benefits for all on an equal and reciprocal basis.

49. **Mr. Patil** (India) emphasized the importance of South-South economic linkages and the fact that the multilateral trading system's design and operation should reflect emerging geographical trade patterns. In that regard, UNCTAD could play a helpful role.

50. Many studies had pointed to the importance of trade expansion and greater market access for

developing countries in order to eradicate poverty and attain the Millennium Development Goals; those countries had noted that trade was an important means for their integration into the global economy and for attaining higher living standards. Support for the poverty-sensitive export sectors of developing countries would help to overcome the great challenges of poverty reduction.

51. Better access should be given to labour-intensive exports of goods and services of developing countries, which needed a more mobile labour force. That would result in higher returns from their exports of commodities, manufactured goods and services. Developing countries must enjoy a level playing field, in terms of inter-governmental arrangements and the functioning of international markets. Their special needs and limited structural and systemic capacities must be taken into account.

52. Since developing countries had to supply a wide variety of public goods, it was important that they have greater flexibility to use the policy instruments best suited to their national conditions. The outcome of UNCTAD XI acknowledged that the trading system should allow for such options.

53. India remained fully committed to the completion of the Doha Work Programme, based on the Framework Agreement of 1 August 2004, which provided the international community with another opportunity to ensure that the trading system would yield balanced returns to developing countries. India hoped all WTO members would play a positive role in that regard.

54. However, developing countries had failed to gain from agricultural reforms and trade liberalization introduced by developed countries. That failure impinged particularly on the agricultural sector, since food security and rural livelihoods had immense economic, social and political relevance. The Secretary-General had also noted the special role of agriculture in development and expressed the hope that developing countries would not have to reduce certain domestic support to subsistence and resource-poor farmers.

55. It was particularly important for developing countries to have flexible options in negotiating non-agricultural market access. The negotiations should address the specific development-related needs of all developing countries, and create mechanisms that met

the concerns of individual developing countries. The Secretary-General had also observed that services remained a core agenda item under the Doha work programme, although the July framework negotiations had not accorded them much attention. Recent UNCTAD studies had demonstrated that developing countries would benefit greatly from genuine liberalization of mode 4. Multilateral commitments by developed countries in favour of liberalized market access in mode 4 that improved on their current limited market access commitments would give a positive signal of the international community's sincerity in delivering tangible gains to developing countries.

56. Key issues of improved market access, price stabilization for exports, market entry barriers to goods and services from developing countries and the reduction of such barriers to trade should be accorded more attention, and future negotiations should take into account the development needs of developing countries. India agreed with the report of the Secretary-General that non-fuel commodity imports by developed countries played a crucial role in establishing conditions in international commodity markets that were favourable to developing countries. Since UNCTAD was a focal point in the United Nations system for trade and development, it was important to address its severe financial constraints so that it could continue to provide broad-based support to developing countries.

57. **Mr. Koonjul** (Mauritius), speaking on behalf of the Alliance of Small Island States (AOSIS), said that trade continued to be the most important engine for growth, sustainable development and poverty reduction in member States. Despite those States' economic reform programmes undertaken to spur sustainable development, the erosion of preferential treatment had impacted negatively on their stability. That was of great concern to AOSIS. The international community should therefore make every effort to help AOSIS make the requisite adjustments.

58. During the past two decades, the Small Island Developing States (SIDS) had experienced downward economic trends; the decline in agricultural exports had been particularly significant, because agriculture was a major source of rural employment, food security and foreign exchange earnings.

59. AOSIS had requested special and differential treatment in international trade negotiations based on

members' vulnerabilities, including size, limited resources base and exposure to natural disasters. Members were also deeply concerned about the impact of declining terms of trade for commodities and their impact on commodity-dependent developing countries. Developed countries should take requisite measures to eliminate their tariff peaks, tariff escalation and trade-distorting actions in agriculture, which compounded those problems. In addition, they should join the Common Fund for Commodities and provide it with the required resources. The Doha Work Programme of 2 August 2004 failed to clearly state how trade rules would be reformed and how special and differential treatment would be provided to promote the development of small States, in particular SIDS, as called for in the Johannesburg Plan of Implementation.

60. The multilateral trading framework should take into account the unique characteristics of SIDS, the permanence of their geographical and climatic constraints and the resulting dependence on exports of one or two commodities.

61. **Mr. Karanja** (Kenya) noted that commodities played a key role in the economies of most developing countries and countries in transition. For example, commodity trade was pivotal in helping developing countries attain the Millennium Development Goals. Thus issues pertaining to the global commodity trade and its prospects had to be taken into account in planning for economic growth.

62. Following the recent substantial increase in the price of oil, non-oil-producing countries had been negatively impacted by the increased outflows needed to pay for oil imports. Affected countries like Kenya had needed to make downward revisions of their growth forecasts, which in turn had negatively impinged on public financing of key programmes.

63. The growth in South-South trade called for a concerted effort to abolish trade barriers among developing countries. South-South cooperation had led to the creation of regional integration bodies. The advantages of interregional trade, particularly in the South-South orbit, stemmed from the reciprocity involved and the fostering of different forms of cooperation. For example, in Kenya's subregion, the East African Community (EAC) and the Common Market for East and Southern Africa (COMESA) were becoming the basic destination for Kenya's goods, accounting for about 40 per cent of exports. UNCTAD

and other institutions were urged to double their efforts to increase South-South cooperation.

64. The recent developments in the WTO Governing Council concerning the resumption of negotiations on the Doha Work Programme were a major milestone in promoting international trade: significantly, they had resulted in increased market access of goods from developing countries and in the removal of agricultural subsidies. The ultimate aim of all WTO negotiations must be the lifting of such constraints, which had been the main impediment to North-South trade promotion and a major hindrance to the economic growth of developing countries.

65. Regarding negotiations on non-agricultural market access, the aim was to ensure unfettered market access of apparel manufactures from developing countries, notably from Sub-Saharan Africa, thereby maximizing the opportunities offered by bilateral arrangements such as the African Growth and Opportunity Act (AGOA). It was also to ensure that developing countries had measures in place to forestall dumping of cheap, often subsidized, industrial products from developed countries which exposed products of developing countries to unfair competition.

66. Trade liberalization should not be used as a conditionality for attaining other goals and should take place gradually: a time frame should be established taking into account developing countries' domestic needs, thus minimizing costly disruptions. Hasty liberalization without supportive measures to prevent disruptions to the local economy, had been shown to result in job losses.

67. Kenya called for an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system, as well as for a reignition of political will and positive spirit of cooperation with the Doha Work Programme.

68. **Mr. Talha** (Bangladesh) said that developing countries needed gradual and strategic integration into the global trading and financial systems if the latter were to foster economic development. Openness to trade and the international financial system had exposed Bangladesh to a fiercely competitive environment. The repercussions were manifold: for example, it had increased Bangladesh's vulnerability to external shocks, forcing the country to make painful economic adjustments. Nor had globalization positively impacted developing countries: policies like

premature liberalization and government non-intervention did not guarantee economic stability. Many developed countries had themselves achieved higher rates of growth without opening their markets, or by opening them selectively. His country was happy that developing countries' need for sufficient policy space in order to better manage their integration had been recognized in São Paulo.

69. Traditional economic theory dictated that countries should export commodities in which they enjoyed a comparative advantage, but his country's pursuit of that path had been disastrous. LDCs should benefit from duty-free and quota-free access for all products, as agreed at the Fourth WTO Ministerial Conference and in the Brussels Programme of Action for the Least Developed Countries. A safety net should also be established to help them deal with the fall-outs resulting from the implementation of WTO agreements.

70. Regarding attempts to open up markets in the developed world for products from LDCs, because of the selective nature of some initiatives and because of supply side constraints LDCs had not always been able to benefit fully from such measures. For countries like Bangladesh, implementation of poverty reduction programmes and attainment of the Millennium Development Goals were a function of resources. Nor could poverty be reduced under conditions of declining exports, shrinking ODA, negligible FDI inflows and mounting external debt burden. Such factors only reinforced the argument for increased multilateral cooperation.

71. Bangladesh regarded the adoption of the WTO July 2004 Package of Framework Agreements as a measure of progress since Cancún, although further action was needed: for Bangladesh, implementation-related issues and special and differential treatment remained critical. Moreover, the series of commitments made by the international community based on the concept of partnership must be honoured; assistance in capacity-building must be rendered.

72. **Ms. Navarro Barro** (Cuba) said that, while trade was absolutely vital to developing countries, an inequitable and unfair multilateral trading system hampered their integration into the world market. Indeed, developed countries continued to provide heavy subsidies to their farmers while advocating market deregulation in the developing countries. At the

same time, the rich countries closed their markets to major developing-country commodity exports such as textiles and erected arbitrary health, environmental and other barriers that were impossible for the poor nations to overcome. That arbitrary and selective procedure had a serious adverse impact on the economies of developing countries, especially the small island developing States.

73. The conditionalities imposed on developing countries should be removed so that they could gain preferential access to developed markets, especially since those conditionalities were contrary to international consensus. Furthermore, the asymmetries created as a result of developing countries' dependence on commodities should be corrected. That issue could not be left out of any international development agenda and there must be a follow-up to the initiatives developed at the eleventh session of UNCTAD in São Paulo. Developing countries should also be granted greater leeway to assess the implications of assuming new international commitments, so that they could have the space to implement economic policies that were appropriate to their particular circumstances.

74. The process of developing country integration should be strengthened in order to contribute to the establishment of a "new geography" of international trade. Cuba supported the Global System of Trade Preferences Among Developing Countries (GSTP) as a mechanism for improving South-South cooperation and the bargaining power of poor countries as a trade block. Serious consideration should be given to implementing all the outcomes of the São Paulo Conference. There should also be full support for the work of UNCTAD, especially its recommendations concerning coherence in trade and financial policy and genuine technology transfer to developing countries.

75. **Mr. Chave** (Switzerland) welcomed the WTO decision of 1 August 2004 on the continuation of the Doha negotiations. The document represented a key move in the creation of a multilateral and open trade system which took greater account of the interests of developing countries. The development was positive for a number of reasons. Firstly, the Doha Round was back on track and the international community could look to the future and focus on the exact terms and conditions to be negotiated, as well as on the other talks involved in the Doha Round. Secondly, the decision showed that WTO could produce results and find positive solutions to the challenges of

globalization. Thirdly, the agreement addressed several concerns of developing countries regarding arrangements that would take their level of economic development into account.

76. The developing countries, particularly the most advanced ones, were not only beneficiaries of concessions; they also had to be active participants. If they also made concessions, they could increase their influence. Special and differential treatment could be strengthened only if it targeted WTO members which really needed it (in specific sectors and for specific objectives). Special and differential treatment that considered the level of economic and institutional development of each country, together with its degree of competitiveness, was one of the keys to the success of the current negotiations. Such criteria, which existed for the least developed countries, should also be defined for other categories of economically vulnerable countries.

77. The international community must address the multilateral trade system in a timely and effective manner to prevent its obsolescence. Switzerland regretted that important issues for the future, such as the creation of framework agreements on public procurement investment and competition had been postponed *sine die* by the WTO agreement of 1 August.

78. Switzerland was well aware that negotiations would remain difficult despite the conclusion of the agreement. In several spheres, agreement between the 147 WTO members had been reached only at the expense of clarity in the text. The resolution of certain contentious issues had simply been postponed. In certain cases, procedures seemed to have been more important than substance. It was important to intensify efforts to progress at the same pace in all the different areas of negotiations, particularly services and industrial products.

79. The recent UNCTAD report entitled "Review of Developments and Issues in the Post-Doha Work Programme" (TD/B/51/4) provided a sound analysis of progress to date in the implementation of the Doha Working Plan and useful information on developing countries' concerns in every facet of the current negotiations. Even if much still had to be done to flesh out the 1 August agreement, the position of the developing countries in the negotiations had evolved positively since 2001. A "new geography of trade" was emerging; new groupings had appeared. However,

efforts had to be made to ensure that the least developed countries could progress at the same pace as more advanced nations.

80. While South-South trade offered considerable opportunities for economic growth, much still needed to be done to fully understand the characteristics of current South-South exchanges and research on the main impediments to South-South trade should be continued. Nevertheless, the report's analyses were sometimes too general and did not sufficiently consider the different interests among developing countries. The section on trade in industrial products and on anti-dumping measures was a good example, as it glossed over obstacles to South-South trade in those two spheres.

81. At the international level, efforts should be made to ensure that the interests of LDCs were properly taken into account in the international trade regime so they could benefit from the opportunities of the multilateral trade system. At the same time, the LDCs' infrastructure, production capacity and regulatory agencies must receive support from donors and from the private sector.

82. UNCTAD was playing an important role in presenting original and critical analyses of the pressures on developing countries. Its work helped to maintain diversity of viewpoints on globalization. UNCTAD should pursue its efforts to strengthen the complementarity of its activities, particularly in regard to WTO, so it could produce original solutions facilitating consensus.

83. **Mr. Tierney** (Australia), speaking on behalf of the Cairns Group, said distortions in world agricultural markets continued to undermine the ability of many developing-country agricultural sectors to contribute to sustained economic development and poverty alleviation. World leaders had recently reaffirmed calls for trade barriers to be eliminated and markets opened so that developing countries could unlock the full potential of their agricultural sectors, improving the food security and welfare of their people, and providing impetus to the world economy as a whole. The United Nations Secretary-General had also recently reiterated the importance of agricultural reform for development.

84. The WTO July Framework Package had broken new ground by locking in a historic commitment to eliminate agricultural export subsidies, which had

severely damaged global farm exports and others' domestic markets, by a certain date. It also foreshadowed big cuts in other farm subsidies provided by many wealthy countries and laid a good foundation for securing substantial improvement in market access for all products, while taking into account the special needs of developing countries.

85. He called on WTO members to finalize agriculture negotiations with a view to an early and successful conclusion of the negotiations that fully reflected the ambitious reform mandate agreed at Doha. That would require a date for eliminating all forms of export subsidies on all products; substantial reductions in all forms of trade-distorting domestic support, particularly that provided by the major subsidizing countries; substantial improvements in market access for all products; and effective mechanisms with respect to key elements of special and differential treatment, recognizing the particular needs of developing countries.

86. The Cairns Group also welcomed the emphasis in the July Framework Package on finding ambitious, expeditious and specific solutions to the cotton issue within the negotiations on agriculture. That would help to ensure that the Doha Round's development dividend would extend to all countries, including the least developed ones. It was in everyone's interest that all countries, other than least developed countries, should contribute to the process of agricultural reform, particularly those most responsible for the current severe distortions in world agricultural markets. Without deep developed-country reform, developing countries would not be able to realize the full potential of their agricultural sectors.

87. **Mr. Heng** (Malaysia) welcomed the Spirit of São Paulo, the São Paulo Consensus and the crucial role played by UNCTAD in support of developing countries in matters relating to trade and negotiations on trade. Global integration through trade could be a catalyst for accelerated progress towards achievement of the Millennium Development Goals. For that to happen, the developed countries must act on their rhetoric by implementing real reforms on market access and agriculture so as to create a more equitable global trading system.

88. A transparent, predictable, open and rule-based multilateral trading system under WTO would provide a more secure and equitable trading system that would

benefit both small and large economies. Indeed, no country, regardless of its political or economic clout, could ignore such rules and act unilaterally. A more liberal international trading environment would permit a freer flow of technology and boost innovation, productivity and the development of new technologies. Malaysia would continue to participate actively in WTO negotiations to ensure that the multilateral trading system provided flexibility for developing countries to continue their pursuit of development goals. Malaysia welcomed the consensus reached at the July 2004 WTO General Council Meeting held in Geneva and hoped that concrete action would be taken by WTO to address developing countries' concerns over the difficulty in implementing some WTO agreements and decisions owing to their lack of the necessary resources and technical capacities. In that regard, Malaysia welcomed the launching of a new series of projects by UNCTAD, in cooperation with WTO and the United Nations Environment Programme (UNEP), to enhance developing countries' capacity in policy-making and negotiations on key environment-related issues.

89. The heavy dependence of most developing countries on commodity exports made them particularly vulnerable to commodity market fluctuations. The protectionist measures, stringent health and quality standards and subsidies paid by the industrialized countries to their own producers made it harder for commodity-dependent developing countries to break into developed country markets. The terms of trade of developing countries as a whole had deteriorated by an average of 1.3 per cent a year between 1980 and 2003. He concurred with the UNCTAD view that, in the absence of an effective international commodity policy, neither sustained economic growth nor poverty reduction could be achieved. A more level playing field for international trade in agricultural commodities, including market access for non-agricultural products, would benefit developed and developing countries alike and would meet the objectives of growth, development and poverty reduction, in particular in the developing countries.

90. **Mr. Subedi** (Nepal) said that, while the share of developing countries as a whole in international trade had increased, least developed countries and land-locked developing countries had remained vulnerable and marginalized in the international trading system.

The recognition by the eleventh session of UNCTAD of the need for developing countries to have a "policy space" to pursue national development programmes and of a "new geography of trade of the South" was most welcome. The launching of a new round of South-South trade talks under GSTP, emphasizing fair and open access for developing-country products to the global markets, was very encouraging.

91. Regional trade was an intrinsic and inseparable component of the international trading system and there should therefore be a considerable and steady increase in South-South trade. He welcomed the European Union's Everything But Arms initiative, which had boosted the commodity exports of least developed countries. Indeed, the granting by the European Union of quota-free and duty-free access for all products, including sensitive products such as fresh bananas, rice and sugar, was very encouraging.

92. Drawing attention to the continuing decline in commodity prices, he noted that the sector had failed to play its expected role as an engine of growth over the past few decades. Currently, oil prices were rising, adversely affecting economic growth in oil-importing developing countries and compelling them to spend a considerable amount of their export revenues.

93. In the area of trade, his Government's goal was to create a stable, prosperous and enabling economic environment that would permit a free flow of investment, promote development and reduce poverty and socio-economic disparities. A series of legal and commercial measures had been taken to promote domestic and international trade and speed up the country's overall economic development. Current imbalances and inequalities in the multilateral system were impeding global trade. Developing countries were becoming confused by instability in global markets and losing confidence in globalization. Poor countries, unable to compete in international trade, were becoming increasingly marginalized in the global economic regime. Unfortunately, their voices and priorities were often overshadowed. If the international community wished to improve the plight of developing countries, it had to take action to revive the trade talks in order to pave the way for fair and rule-based trade.

94. The lesson learned from Cancún was that the multilateral trading system could not succeed unless the interests and concerns of developing countries were addressed. Accordingly, WTO and UNCTAD should

review their previous commitments, speed up negotiations and address the asymmetries and inequalities in international trade.

95. **Mr. Ramadan** (Libyan Arab Jamahiriya) referred to the Secretary-General's report on international trade and development (A/59/305) and spoke of the deceleration of economic growth in developing countries, many of which were not expected to achieve the Millennium Development Goals by 2015 unless their commodity exports reached developed countries' markets. It was a cause for great concern that a large number of developing countries, least developed countries and commodity-dependent developing countries remained marginalized in international trade and the trading system and were still vulnerable to external shocks. It was essential to implement the recommendations of UNCTAD XI, held in São Paulo in June 2004, concerning commodities. It was equally important for the international community, developing countries, and the United Nations agencies, particularly UNCTAD and WTO to fulfil their obligations towards developing countries and LDCs by supporting their efforts to eradicate poverty and achieve sustainable development.

96. The eleventh session of UNCTAD had provided a forum for upholding and safeguarding an open, equitable, rule-based, predictable and non-discriminatory multilateral trading system and facilitated consensus on the international trading system in respect of development convergence and solidarity and in accordance with the São Paulo Consensus.

97. As a member of the Global System of Trade Preferences among Developing Countries (GSTP), the Libyan Arab Jamahiriya was determined to participate in the third round of trade negotiations in UNCTAD XI. It had taken a number of steps to liberalize its foreign trade by abolishing import and export licenses, eliminating foreign exchange controls, and initiating negotiations with WTO regarding membership in the organization.

98. **Mr. Kogda** (Burkina Faso) said that international trade continued to be marked by such inequities as unilateral price-setting for commodities, agricultural subsidies in developed countries and tariff and non-tariff barriers, which adversely affected the most vulnerable developing countries. The isolation of landlocked developing countries, such as Burkina Faso,

virtually marginalized them in the world trading system.

99. Inadequate economic infrastructure, high transaction and factor costs, low labour productivity as well as a small domestic market did not allow his country to diversify its production sector and expand trade. However, within the context of globalization, his Government had undertaken wide-ranging reforms in an attempt to give a new impetus to its foreign trade. Despite those reforms, Burkina Faso's trade had remained insignificant and uncompetitive on the world market mainly as a result of restrictive measures taken by developed countries, especially against agricultural commodities, blocking his country's exports.

100. Burkina Faso's efforts to create an enabling environment for trade had not produced promising results. There was therefore a need for a greater opening of markets at the regional level, especially in the context of the West African Economic and Monetary Union. Burkina Faso, like all developing countries, desired duty-free and quota-free markets for its exports as well as the reduction or removal of protectionist measures put in place by developed countries. Such improvements were a basic requirement of economic interdependence, which was clearly of benefit to all.

The meeting rose at 12.30 p.m.