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Agenda items 3 and 4

AGREED CONCLUSIONS

Item 3 - Diversification in commodity-dependent countries

The Commission, taking into account the recommendations put forward by experts on the food processing sector in developing countries in their report (TD/B/COM.1/8), agreed on the following specific recommendations on agenda item 3:

A. Addressed to the international community

- (i) Further trade liberalization, improved market access and the avoidance of unilateral action would provide important support for the diversification efforts of commodity-dependent developing countries. Reductions of tariff peaks and tariff escalation facing these countries' exports would be important in this regard. Given the importance of sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT) measures for the dynamic commodity markets (e.g. foods), there is a need for greater attention by developing countries to the implications of the notifications of new measures in this area by WTO members;
- (ii) International financial and technical support, including through UNCTAD, to commodity-dependent countries in their diversification efforts needs to be reinforced. In this respect, it is important to ensure that existing resources which are available for this purpose are properly utilized and the whole support programme is better coordinated;
- (iii) The Common Fund for Commodities should expedite its exploration of ways and means to utilize the resources of its First Account.

B. Addressed to Governments

- (i) Commodity-dependent developing countries should consider the relative advantages of regional arrangements and regional and South-South trade as a means of diversification and as a stepping stone to global trade;
- (ii) Improvement of supply capacities is crucial to effective diversification. Priority needs to be given to the establishment of a stable macroeconomic environment, to adequate export infrastructure and to training, in order to enable enterprises to exploit the opportunities for diversification. Equally important is the development of the processing, marketing and distribution capacities to ensure the successful positioning of enterprises in market chains. Both conducive policy options and international support measures are important in this area;
- (iii) Clustering of enterprises and free trade zones could help in promoting diversification by increasing forward and backward linkages and lowering transaction costs. Governments should identify ways and means to promote the participation of small and medium-size enterprises and small farms therein, such as export credits and trade finance.

C. Addressed to UNCTAD

- (i) Joint ventures could provide a positive impetus to diversification. The UNCTAD secretariat should undertake an analysis of the effects on diversification of joint ventures, mergers, franchises and similar arrangements in sectors where developing countries may have comparative advantage;
- (ii) UNCTAD should study the extent of the relevance of Uruguay Round provisions in ensuring that developing countries and particularly least developed countries can take advantage of opportunities that may be created in regional trading arrangements;
- (iii) UNCTAD should promote a better understanding of the implications, and of ways to take advantage, of the Agreement on Subsidies and Countervailing Measures;
- (iv) UNCTAD, in collaboration with the International Trade Centre, should undertake feasibility studies on the positioning of enterprises of commodity-dependent developing countries in sourcing networks and the identification of market opportunities, including for environmentally sound products and niche markets;
- (v) Within its mandate, UNCTAD should provide technical assistance, including training, institutional capacity-building and access to information on the above issues, in order to operationalize these proposals in the context of regional and global trade;

- (vi) In the area of technical cooperation, UNCTAD should provide support for commodity diversification efforts in developing countries, in the light of their Uruguay Round obligations, the "built-in" agenda and possible further multilateral negotiations.

Item 4 - Ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries

The Commission, taking into account the recommendations put forward by experts on expanding exports of developing countries in the health services sector in their report (TD/B/COM.1/7-TD/B/COM.1/EM.1/3), agreed on the following specific recommendations on agenda item 4:

A. Addressed to the international community

- (i) Developing countries, particularly LDCs, require assistance in developing efficient supply and export capabilities, including through the expansion of research and development, technological cooperation, concessional resource flows and reduction of their foreign debt burden;
- (ii) Special and differential treatment for developing countries can facilitate their integration into the multilateral trading system. In the context of the post-Uruguay Round environment and increasing globalization, preferential schemes can help developing countries avoid marginalization. They should be focused to provide benefits to those developing countries which need them most, taking into account the need to identify criteria that preference-giving countries may wish to adopt;
- (iii) Those non-tariff measures which are not covered by multilateral trade agreements should continue to be identified;
- (iv) Future negotiations in agriculture should take into account the interest of developing countries, particularly LDCs and net food-importing developing countries;
- (v) There is a need to continue to implement Article IV (Increasing Participation of Developing Countries) of the General Agreement on Trade in Services (GATS) and to ensure an overall balance of rights and obligations for all participants in the next round of negotiations, as foreseen in Article XIX (Negotiation of Specific Commitments) of the GATS. Technical assistance should be provided to developing countries to help them benefit from the GATS commitments;
- (vi) Attention should be paid to the completion of the negotiations on emergency safeguards in services, and making progress in developing disciplines governing domestic regulations for qualification requirements and procedures, technical standards and licensing requirements;

- (vii) Electronic commerce should provide important opportunities to developing countries in expanding their exports of both goods and services. Therefore, their access to information infrastructure and connectivity should be facilitated;
- (viii) The effective participation of developing countries in international standard-setting bodies should be facilitated and encouraged. Additional consideration of this issue by the international community is necessary;

B. Addressed to Governments

- (i) Within the limits of their capacity, Governments should strive to ensure sustainable development through a stable macroeconomic and institutional environment which fosters equity, with a view to removing supply-side constraints which hamper the exploitation of emerging export opportunities;
- (ii) Efforts need to be made by the preference-receiving countries to increase the utilization of GSP schemes, including measures to make the benefits of the GSP better known to exporters, and by the preference-giving countries, where applicable, to expand its product coverage and the margin of preference;
- (iii) The most economically advanced developing countries should consider providing trade preferences to LDCs;
- (iv) Developing countries should make efforts to develop exports in services sectors where they have competitive advantages. Export strategies should make use of all modes of supply, and focus *inter alia* on education and training to build up a skilled workforce, and on taking full advantage of the possibilities offered by information technology and new business techniques. In developing export strategies, the close interaction between Governments and the private sector is of paramount importance;
- (v) Governments should foster access to information infrastructure and should avoid barriers to electronic commerce.

C. Addressed to UNCTAD

- (i) UNCTAD should continue to analyse the ways and means of enhancing the utilization of the existing GSP preferences, of improving the functioning of such preferences and their attendant rules of origin, and of adapting the GSP to present realities;
- (ii) UNCTAD should organize, in the framework of its technical assistance programmes, training seminars and workshops to assist developing countries and countries in transition to build their capacity in techniques and ways of assessing their national interests in preparation for trade negotiations, with a view to (a) identifying domestic as well as external barriers to trade in goods and services of particular export interest to these countries; and (b) evaluating

the extent of liberalization that they may offer. These activities should be open to all interested members upon request. The special interests of LDCs should be taken into account in this respect;

- (iii) UNCTAD should study, in cooperation with other relevant international organizations, issues arising from electronic commerce and help developing countries to take full advantage of its benefits;
- (iv) UNCTAD, within its mandate, should assist developing countries in their efforts to promote economic cooperation and integration among themselves;
- (v) The tourism sector in developing countries is especially vulnerable to natural and man-made disasters. UNCTAD should study the effects on the trade and development efforts of developing countries in the tourism sector, the measures to offset any adverse effects, and ways and means to expedite their recovery. In this area, UNCTAD should indicate to the member States possible areas for future work;
- (vi) UNCTAD should undertake a study of the export potential of developing countries in the business services sector. This is a potential topic for a future expert meeting.

Convening of expert meetings

The Commission decided, in accordance with "A Partnership for Growth and Development", to convene in 1998 three expert meetings on the following topics:

- (a) Examination of the effectiveness and usefulness for commodity-dependent countries of new tools in commodity markets: risk management and collateralized finance;
- (b) Strengthening the capacity for expanding the tourism sector in developing countries, with particular focus on tour operators, travel agencies and other suppliers;
- (c) Strengthening capacities in developing countries to develop their environmental services sector.