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**DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD
ON ITS FIFTY-THIRD SESSION**

Held at the Palais des Nations
from 27 September to 2 October 2006 and 10 October 2006

Rapporteur: Ms. Ana Inés Rocanova (Uruguay)

Agenda item 5 (Post-Doha)

Speakers:

Secretary-General of
UNCTAD

Director-General of the
WTO

Pakistan for the Group of
77 and China

Mauritius for the ACP
Group of States

Argentina

Malaysia

Australia

Indonesia

Japan

Philippines

Norway

Bangladesh

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.
Requests for amendments to statements by individual delegations should be communicated
by **Tuesday, 17 October 2006** at the latest, to:

UNCTAD Editorial Section, Room E.8106, fax no. 917 0056, tel. no. 917 1437.

**REVIEW OF DEVELOPMENTS AND ISSUES IN THE POST-DOHA WORK
PROGRAMME OF PARTICULAR CONCERN TO DEVELOPING
COUNTRIES**
(Agenda item 5)

1. For its consideration of this agenda item, the Board had before it the following documentation:

“Review of developments and issues in the post-Doha work programme of particular concern to developing countries – Note by the UNCTAD secretariat” (TD/B/53/5).

2. **The Secretary-General of UNCTAD** emphasized that the Doha round of trade negotiations was at a crucial juncture, and he urged participants to examine key issues in the stalled negotiations with a view to revitalizing them. He highlighted UNCTAD’s commitment to assuring development gains from the international trading system and trade negotiations.

3. The multilateral trading system had a key role to play in sustaining and extending the development dimension of trade. International trade could be a powerful engine of growth, development and poverty eradication in all countries, particularly in developing countries. It contributed to generating resources for development. However, trade worked for development only under the right conditions. An open, rule-based, non-discriminatory, predictable and equitable multilateral trading system was clearly most conducive to generating positive development outcomes. The system must also be consistent with ensuring an enabling policy environment for developing countries that provided them with adequate space to achieve their development goals. Efforts were needed to achieve meaningful and substantial development content in all areas of the Doha negotiations, as this was indispensable for a successful outcome of the round.

4. Against this background, recent failures to make progress in the Doha negotiations were a source of concern and had lowered countries’ confidence in the multilateral trading system itself. The current suspension of the round had “put on hold” many significant development yields expected from progress previously achieved in the negotiations, hurting the world’s poorest most acutely. The suspension also had many long-term systemic implications. It might encourage protectionism; result in a further proliferation of bilateral and regional trade agreements; and lead to further trade disputes which could damage international relations. The significant negative consequences of the suspension of the round clearly pointed to the need to resume negotiations sooner rather than later.

5. Notwithstanding the suspension of the Doha round, the WTO continued to be a central pillar of the international trading system, and its relevance and importance should not be questioned but rather, to the contrary, it must be more vigorously supported. No single existing regional or bilateral trade agreement or other trading arrangement could deliver the same benefits, predictability and security as a well-functioning and development-oriented multilateral trading system. All countries therefore needed to demonstrate renewed political will and additional flexibilities to facilitate the resumption of work, with a leadership role for the key players.

6. Recalling that development was at the heart of the negotiations, improved effective market access and entry for exports of developing countries were needed, along with improved donor support in building their supply capacities, competitiveness and trade-related

infrastructure, as well as in helping them to benefit more fully from opportunities generated by multilateral trade liberalization, including through effective aid for trade. UNCTAD, through its research and policy analysis, intergovernmental consensus-building and technical assistance and capacity development activities, steadfastly supported the Doha round and developing countries' engagement in all of its aspects.

7. The **Director-General of the WTO** agreed with the *Trade and Development Report* that trade could lead to development and poverty alleviation, but emphasized that trade was one necessary ingredient in a policy mix that should contain many other ingredients such as effective institutions and quality of governance. As pointed out in the Report, efforts needed to be made to ensure that non-tariff measures did not negate progress on tariffs. In that connection, developing countries were the most frequent users of anti-dumping, primarily against other developing countries. Regarding policy space, he stressed the need to go further in order to provide arguments and facts on what constituted "good policy space". For instance, it was debatable whether the domestic value-added content of exports would increase if performance requirements were permitted. It was also questionable whether the best contribution WTO could make to development would be for developing countries to have no subsidy disciplines; of course, all LDCs and a large number of developing countries were exempt from the prohibition of export subsidies. On industrial tariffs, there could be disagreement on how to manage industrial development and diversification successfully. Looking at the facts, the difference between bound and applied rates varied considerably among WTO members, and this implied that policy space meant different things to different countries. Another fact was that, in most countries, tariff revenue represented only a small share of fiscal revenues, with the exception of some countries that were predominantly reduction-exempt LDCs. UNCTAD was well placed to examine such issues, and this opportunity should not be missed.

8. It was important to support efforts to improve trade infrastructure, as well as the vital role played by national Governments and the international community in that connection. Trade infrastructure was part of the wider picture of Aid for Trade, which was a necessary complement to the Doha round. Since Aid for Trade was not part of the single undertaking, it was important that work on the initiative went ahead. The most important contribution of the WTO to development and reduction of poverty was to open up trade multilaterally and strengthen the rules-based trading system. UNCTAD had a lot of experience on the complex relationship between trade, poverty and inequality, and more understanding was needed to tackle the corresponding challenges.

9. The suspension of the negotiations allowed capitals to consider how they could contribute to overcoming the remaining obstacles, particularly in agriculture. There was no alternative to a successful conclusion to the round, and failure would hurt the smallest countries most acutely. The biggest obstacle was market access and domestic support for agriculture. It was also the key to resuming negotiations and to moving forward in all of the other areas, which had been taken hostage by agriculture. There appeared to be a broad consensus that negotiations should be resumed from where they had stopped and that they should take into account the July framework and the Hong Kong Declaration. The problem was not so much the level of ambition but rather the contributions of different members. The level of ambition in agricultural market access and domestic support was already much higher than in the Uruguay Round, and reducing the gap between bound and applied rates would stabilize the system. Although it was politically understandable to attach importance to

the “exchange rate” of who paid how much in each area, it was important to look at the broader global picture and focus on the level of ambition and its impact on trade flows.

10. The representative of **Pakistan**, speaking on behalf of the **Group of 77 and China**, emphasized the unique opportunity for brainstorming and open discourse this agenda item had provided since it had first been introduced in 2002. Regarding the current situation of the Doha round negotiations, he considered that progress and the discussions on the development content of the negotiations were being held hostage to a lack of progress in the round itself. There were three consequences arising from the suspension of the round: the progress made to date on the various elements of the negotiating agenda would be put on hold; all work in the negotiating groups had been suspended; and existing deadlines were no longer applicable.

11. It was precisely in this kind of situation that the utility of UNCTAD, as an inclusive body with a universal membership, came to the fore. Discussions on procedural and substantive options for the resumption of the negotiations could take place in UNCTAD, while mainly procedural efforts could be undertaken in the WTO to find a solution to the stalled negotiations. In this respect, the impact assessments of the various initiatives and options under discussion in the WTO, as well as the technical assistance provided to developing countries engaged in the process of accession, were of the utmost importance. Furthermore, the suspension of the WTO negotiations could be used to explore ways and means through which the consensus-building pillar of UNCTAD, with its unique development perspective, could effectively and meaningfully contribute towards the Doha Round. UNCTAD had contributed positively to the negotiations at various critical junctures in the past, as reflected in UNCTAD XI’s contribution to the July Package, and this could be repeated today. He considered that in order to move towards a coherent and sustainable international economic system, there should be optimal utilization of all avenues of multilateral discourse, based on the mandates and demonstrated abilities of various participating entities.

12. He called on all countries to consider the adverse impact the suspension of the WTO negotiations might have on shared development objectives and the fight against poverty. A failure of the Doha Round could lead to the resurgence of protectionism and a proliferation of bilateral or regional free trade agreements. This called for a deployment of best efforts by all towards a speedy revival of the negotiations. Finally, he suggested that the Aid for Trade initiative, in which UNCTAD should also be given a leading role, could play a key role in the promotion of development.

13. The representative of **Mauritius**, speaking on behalf of the **ACP Group of States**, recalled that the Doha negotiations had been launched five years ago in the hope that they would lead to a new global trading system which would be more equitable and match trade with development and poverty eradication. However, the past five years had not been easy and the system had been put to the test on numerous occasions. The causes that led to the suspension of the negotiations were well known and it was not useful to dwell on a “blame game”. Countries should be encouraged not to underestimate the gravity of the situation nor the consequences of failure, and a successful conclusion to the negotiations could only come from achieving a win-win outcome for development. The naming of the round as a development round was not an accident. Market access should not therefore be considered the only determinant of the round’s success. Instead, a blended approach should be adopted that delivered on market opening and, at the same time, created the policy space and flexibility for the small and the weak. The ACP Group of States faced a particular set of challenges which

were partially a result of the previous round of negotiations. He requested that the results of this current round should not add to the burden of the ACP countries, particularly in light of the constructive and collaborative spirit that the group had shown in all areas of the negotiations. In the past ACP, countries had been lured by the promise of potential global gains from trade, but had in fact been left behind or subsumed in aggregate trade performance. All developing countries should be able to benefit from a fair share of global trade. In order to do this, countries needed the capacity to tap into new trade opportunities, and initiatives such as Aid for Trade were crucial in this respect.

14. As regards the way forward, WTO Members should strive to use the achievements reflected in the July Framework, the Hong Kong Ministerial Declaration and Chairmen reports to rekindle the negotiations. In the area of agriculture, the ACP countries sought to achieve a moderate-to-reasonable level of ambition in the tariff reduction formula; in NAMA they sought to ensure less-than-full reciprocity in reduction commitments. Finally, with respect to exports of a number of key products where they had preferential access, they faced the challenge of preference erosion, which was the major threat to their fragile economy, and thus sought the progressive removal of preferences so as to allow them to manage a smooth transition without blocking the multilateral trade liberalization process. But the major achievement for ACP countries in this round would be to ensure duty-free quota-free market access for their products. Geneva should remain the nucleus of the negotiations and side events should be used only to feed into the process. Political statements now needed to be backed by concrete actions on the ground.

15. The representative of **Argentina** commended the secretariat for its background document and made particular reference to its conclusion which was very precise in capturing the conditions faced by developing countries in the Doha negotiations. It was important that the negotiations be resumed, but this might require a substantial change in positions by a number of developed country WTO Members. Other trading partners such as the United States and EU were called upon to improve their respective positions on domestic support and market access in agriculture, respectively. Paragraph 24 of the Hong Kong Declaration should serve as the guide for WTO Members when they returned to the negotiating table. It was important to maintain a comparably high level of ambition in agriculture and NAMA. It was no longer possible to continue demanding commitments from developing countries. On Aid for Trade, its independence from the other areas of negotiations made it possible for WTO Members to continue discussions, and this had become a source of encouragement for them. Discussions in this area should not be held back by the lack of progress in other negotiation areas. In conclusion, development required market access, but also policy space for all, especially for the developing countries and LDCs.

16. The representative of **Malaysia** emphasized that the Doha negotiations were important for all stakeholders, and that unequivocal calls needed to be made for negotiations to be resumed as soon as possible. A substantive review of positions also needed to take place as this would allow for successful negotiations. The ASEAN Economic Ministers meeting of 21-22 August 2006 had called on WTO Members to review their positions and make any necessary adjustments for the Doha negotiations to be successfully concluded. The ASEAN Ministers had also committed themselves to doing their part in ensuring a meaningful and substantial outcome of the negotiations. Finally, countries should ponder the possible consequences of a failed Doha round; developed and developing countries should together contribute to ensure a successful round.

17. The representative of **Australia** agreed that the Doha round could not be allowed to drift, as the opportunity for a fairer and more open trading system would then be lost. It was important to establish the necessary conditions for a return to the negotiating table. It would be fruitless, or even fatal for the round, if negotiations were resumed before these conditions were established. Genuine and deep policy reform would be necessary given that the failure to conclude the agriculture modalities in July was due to the significant gap in positions in both the domestic support and market access pillars. In response to the view that an agreement had been within reach in July, he argued that the last few billion dollars of support and the last few per cent of tariffs mattered for new trade flows, including through cuts to applied tariffs and tariff rate quota increases. He noted that the market access pillar constituted the main promise for a development dividend and that a sensible and workable balance had yet to be found between the need to increase export opportunities and the need for protection for food security, livelihood security and rural development. He acknowledged the need for major developed economies to make contributions by improving their offers, but also called for greater assurances that there would be a contribution from all, including developing countries, other than the weakest, and in proportion to their capacity. The development success of the round would not be measured by exceptions to rules, but rather by the creation of commercially meaningful new trade opportunities, combined with more targeted technical assistance to enable countries to take advantage of market openings, for example through Aid for Trade. He underscored that UNCTAD could have an important influence through a positive and constructive contribution to the trade and development debate and the Doha round.

18. The representative of **Indonesia** expressed his country's support for a rapid resumption of the Doha Round negotiations. While a suspension had been needed following the impasse over modalities in the agriculture and NAMA negotiations in July, almost five years of progress in advancing the development dimension in the Doha negotiations were now at risk and the development gains that were expected from a successful round would now be delayed. Various developing country groupings had expressed their support for resuming negotiations; it was therefore important that developed countries returned to the negotiations with a demonstrated readiness to remove agricultural subsidies and increase market access for agricultural goods; they also needed to adopt a position which supported the objective of realizing the development dimension of the Doha work programme. It was important that the negotiations remained fully consistent with the Doha Mandate, the July Framework and the Hong Kong Declaration, which placed the needs and interests of developing countries at the heart of the round, and that the ambitions secured in these agreements should not be lowered. The Aid for Trade initiative and UNCTAD's contributions to it were to be welcomed. All WTO Members, in particular developed country Members, should remain committed to working towards agreements on the various special and differential treatment proposals submitted by developing countries in all areas of the negotiations. Indonesia attached particular importance to special products and special safeguard mechanisms, the aim being to help developing countries to address fundamental development concerns such as food security, livelihood security and rural development. Without satisfactory results on these two issues, it would be difficult for Indonesia and the G33 group of countries to accept any outcome of the negotiations.

19. The representative of **Japan** expressed support for a wide range of UNCTAD's activities aimed at assisting developing countries to realize their goals. UNCTAD's capacity-building activities in the areas of trade negotiations and WTO accession and its contributions to the Integrated Framework for LDCs were commendable. He also looked forward to

UNCTAD's positive role in the Aid for Trade initiative and in efforts to promote an early resumption of the Doha Round. In respect of the Doha negotiations, he expressed strong regret over the suspension of negotiations, and reiterated Japan's commitment to make every effort to help reach an early resumption of negotiations. Yet, regardless of the suspension, Japan was determined to continue implementing the Development Initiative for Trade launched at the Hong Kong Ministerial Conference. UNCTAD could play a constructive role to help reach an early resumption of the round. While a successful conclusion of the Doha Round and its implementation remained an overriding goal, the importance of South-South cooperation in promoting the economic growth of developing countries should not be overlooked. Replicating success stories and applying lessons learned in developing countries was a valuable and effective way to advance development, particularly in Asian countries. UNCTAD should be a strong leader in promoting South-South cooperation, including through the GSTP. By complementing the multilateral trading system and providing further opportunities for economic growth, regional trade agreements were also important factors for promoting development. Attracting investment from the private sector was crucial for development and for trade and investment to grow hand in hand. UNCTAD's work on Investment Policy Reviews was to be commended, and Japan looked forward to its work with the WTO and OECD on investment issues.

20. The representative of the **Philippines** emphasized that UNCTAD played an important role in pushing forward the Doha negotiations and in fostering a greater sense of ownership in the multilateral trading system. Only the UN had the confidence of developing countries and the universality of membership to develop global solutions to global challenges in a consensual manner. Building consensus on the political and normative dimensions of the multilateral trading system and translating this into concrete and tangible outcomes in the WTO should be one of the new priorities of UNCTAD's work. There was also a need to strengthen the relationship between UNCTAD and the WTO. The perceived diminution of UNCTAD's consensus-building role was to be regretted, and was partly due to the mistaken perception that the establishment of the WTO had diluted UNCTAD's relevance. The São Paulo Consensus and the UN General Assembly had called on UNCTAD to contribute meaningfully to the broader work of the UN in development, and UNCTAD's consensus-building work needed to be enhanced. UNCTAD's work should include fostering greater systemic coherence for development to allow the multilateral trading and financial systems to work in a complementary manner. Discussions should include a real debate on controversial issues for confidence-building through real dialogue. The Philippines hoped that the fifty-fourth session of the Board would result in negotiated outcomes on all agenda items of special importance for developing countries, including the post-Doha review. This should set the stage for a more meaningful debate in UNCTAD, as well as a more focused input by the Board into the General Assembly; this could constructively and concretely contribute towards a multilateral trading system that was truly an engine of development.

21. The representative of **Norway** expressed concern over the suspension of the Doha round. The issue was now how to resume the negotiations, and quiet diplomacy was clearly needed in this respect. New conditions needed to be created before resumption. The secretariat background note was useful as it provided an overview of trends in international trade, the development package and the status of different areas of negotiations. Increased trade opportunities for developing countries and LDCs would be WTO's largest contribution to development. It was therefore important to institute an effective Aid for Trade (AfT) initiative. Norway welcomed and supported the conclusions contained in the Aid for Trade Task Force report, namely that: Aid for Trade was important in its own right; it should assist

developing countries in benefiting from increased opportunities; it should complement, but not substitute market access under the Doha round; and it should not be conditional upon the round. Norway would play a constructive role in follow-up discussions and was committed to the enhanced Integrated Framework which would be implemented on 1 January 2007. With regard to services negotiations, Norway agreed with the observation of the secretariat that services trade was crucial to the development outcome. Plurilateral negotiations provided impetus, which proved to be useful in clarifying issues as well as creating a constructive atmosphere. Broader participation would enhance future progress. In respect of the commitment on duty-free and quota-free market access for LDCs, Norway had been among the first countries in the world to implement the GSP on 1 October 1971, and tariffs had been fully eliminated on products exported from all LDCs and no quotas had been applied since 1 July 2002.

22. The representative of **Bangladesh** highlighted UNCTAD's added advantage over other international organizations in the field of global trade-related development issues. After the WTO Hong Kong Ministerial Conference in December 2005, LDCs had not been overly enthusiastic about the development aspects of the outcome, however they were ready to engage constructively with their trade partners to ensure the successful implementation of the important decisions taken in Hong Kong. LDCs were disappointed that the negotiations were stalled and hoped that they would start soon. LDCs had, unfortunately, not been granted the duty-free quota-free market access for all their goods that had been promised time and again. LDC exports had increased by 27.5 per cent, mainly due to the increase in the oil exports of a few LDCs, but overall the group's share in the world market remained marginal at 1.8 per cent. It was now more important than ever that LDCs be provided with duty-free quota-free market access for all their products in developed country and developing country markets.

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