



# United Nations Conference on Trade and Development

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## Trade and Development Board

### Commission on Trade in Goods and Services, and Commodities

Twelfth session

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## Report of the Commission on Trade in Goods and Services, and Commodities

### I. Chair's summary

#### A. Opening statements

1. Statements were made by the Officer-in-Charge of UNCTAD, and the representatives of Honduras, speaking on behalf of the Group of 77 and China; the Philippines, speaking on behalf of the Asian Group; Brazil, speaking on behalf of the Latin American and Caribbean Group (GRULAC); Bangladesh, speaking on behalf of the least developed countries (LDCs); Chad, speaking on behalf of the African Group; Slovenia, speaking on behalf of the European Union (EU) and member States, and the EU Commission; the Russian Federation, speaking on behalf of Group D; Colombia; China; and the United Nations Economic Commission for Africa. It was noted that the twelfth session of the Commission, in view of the upcoming UNCTAD XII, offered an opportunity to take stock of progress made over the previous four years and to consider key issues in respect of the trade perspective of globalization and UNCTAD's contribution. The statements emphasized the role of trade as a catalyst for development with wider implications, including for the achievement of internationally agreed development goals, including the Millennium Development Goals (MDGs); the need to change attitudes and for instruments to promote trade in a changing geography of international trade flows and trade disciplines; the importance of trade policies and trade negotiation capacities; the need for particular attention to LDCs and small and vulnerable developing countries that remained excluded from the recent dynamism of global and South–South trade and investment; and the relevance of UNCTAD's contribution to building a conducive climate for trade-led growth and development.

#### B. Globalization's contribution to development: the trade perspective and UNCTAD's contribution

(Agenda item 3)

2. Two interactive discussions were held under this agenda item – on the trade perspective of globalization's contribution to development, and UNCTAD's

contribution to maximizing gains and minimizing costs from trade-driven globalization.

### **The trade perspective of globalization's contribution to development**

3. A presentation was made by the UNCTAD secretariat of the document prepared for this topic (TD/B/COM.1/90). It highlighted the new realities and continuing challenges of globalization affecting trade and development, and aspects of the enabling international environment for global policy coherence, governance and development solidarity. Key topics addressed were globalization and the changing geography of world trade, multilateralism and regionalism, commodities, energy, environment and climate change, services, labour mobility and competition issues. A number of salient topics and views expressed in the discussions are highlighted below.

#### *International trade: a powerful engine of development*

4. It was noted that the increasing scale and scope of international trade had been a powerful accelerator for globalization, affecting all aspects of economic growth and development. Some developing countries' trade and economic performance had been very dynamic, and South-South trade had grown rapidly. Other key factors included regionalization, a boom in commodity and energy prices, the crucial importance of services for competitiveness and welfare improvement, increased mobility of labour and skills, and the trade and development implications of climate change. This changing geography of world trade provided new opportunities for maximizing the impact of trade on development in developing countries. The secretariat's document was commended for providing an excellent and balanced picture regarding the challenges and opportunities in addressing key emerging trade and development issues with a view to promoting the achievement of internationally agreed development goals, including the MDGs. Also, it was noted that issues regarding terms of trade and LDCs' participation in trade and investment required further treatment.

5. It was emphasized that many developing countries, including LDCs, sub-Saharan African countries, and small and vulnerable economies, had failed to benefit from current trends, partly because of continuing problems with overdependence on the commodities sector and with associated volatile commodity prices. There were growing disparities and intra- and inter-country income inequalities among countries. It was suggested that important factors responsible for the further marginalization of many developing countries included preference erosion through multilateral and regional trade liberalization, coupled with industries that had been unable to diversify or to compete; a deterioration in those countries' terms of trade; and a more rapid rise in their imports than in their exports, partly because of commodity price inflation. Many commodity-dependent developing countries had difficulty in diversifying from exports of a few commodities because of lack of productive capacity and investment. It was therefore suggested that UNCTAD's research should identify policies conducive to enhancing the effects of both trade-driven and investment-driven globalization, especially in the case of LDCs.

#### *The contribution of national policies*

6. It was suggested that national policies and strategies were at the forefront of developing countries' efforts to create an enabling environment for their qualitative integration into the international trading system. As evidenced by the available data, trade liberalization by itself would not lead to development unless there were sufficient productive capabilities to build national champions in industries and services, accompanying development strategies and flanking measures at national level, supported by an international enabling environment. While it was accepted that protection did not automatically lead to growth and had associated costs, the fact that, historically, competition, regulation and protection had all been used to promote industrialization was frequently overlooked. Many developed countries had protected

their industries, in one way or another, even in recent periods. Successful emerging economies in Asia had also used protection, together with industrial, technological and education policies, to support the growth of export-oriented industries.

7. It was important to draw lessons from history in order to identify appropriate conditions in which trade policies could have an effective impact on development. Differentiated policies to increase the capabilities and competitiveness of developing countries should be implemented over a long period, including in the areas of education, human capital and acquisition of technology. State support to infant industries was important; however, it should be well conceived and time-bound. Support measures should be considered, with account being taken of the size of domestic markets and open trade opportunities for other countries. The multilateral trading system rules that were needed to allow policy flexibilities for developing countries should be considered.

8. Extrapolating from historical experiences in the current context of globalization would require careful assessment of the circumstances and conditions necessary for the success of targeted industrial policies in individual countries, with a damaging impact on other countries being avoided. The relevance of the infant industry argument nowadays was questioned, in view of differences in the circumstances of countries and considerations of economies of scale. Also, it was asked who would decide which sectors to protect, and how this would work in practice. Special and differential treatment was already provided in the World Trade Organization (WTO), and it was necessary to determine whether all countries were using flexibilities under current rules, rather than to change multilateral trading rules. If all countries adopted infant industry policies, where would they export to?

9. A balanced historical picture regarding infant industry policies could help to guide current policies, although the new conditions should be taken into consideration. While it was accepted that trade liberalization was not a panacea and needed the right environment in order to be effective, it was a key aspect of the development policy mix with appropriate pacing and sequencing. In that connection, it was pointed out that a stronger multilateral trading system and the WTO would level the playing field for trade growth. Multilateral trade rules locked in domestic reforms and allowed them to be ratcheted up, ensuring predictability for investors and importers. Another view expressed was that "level playing-field" arguments failed to take into account differences in players' capabilities, which required asymmetrical obligations in trade rules in favour of weaker economies. Devising strengthened flexibilities in multilateral rules to address asymmetrical treatment was needed in order to achieve a development-oriented trading system. It was suggested that UNCTAD should identify and analyse, from case studies and reviews, the enabling policy environment, regulations and institutions that could help to maximize the contribution of international trade to development.

#### *The international enabling environment*

10. The WTO Doha round of multilateral trade negotiations was highlighted. It was suggested that there was room for cautious optimism regarding prospects for concluding the Doha Round, but after the presidential elections in the United States. The global economic downturn, particularly the decoupling of Asian and United States growth, provided opportunities for re-engaging the interest of exporters and countries in deepening multilateral liberalization. Agricultural policies might change regarding the support provided owing to a forthcoming EU spending review and the United States' growing budget deficit, with the foundation thus being laid for the building of consensus in negotiations on the disciplining of trade-distorting agricultural subsidies. There was renewed interest in "behind-the-border" trade rules, particularly within growing regional trade agreements, and thus the need to strengthen the multilateral trading system to ensure the compatibility of regional agreements with multilateral rules. Within the proliferating bilateral and regional trade agreements, it would appear

that some capital-exporting developing countries were considering cooperation in dealing with investment and competition issues.

11. It was suggested that there were therefore grounds for very cautious optimism concerning medium-term interest in multilateral trade negotiations, but that future interest was unlikely to be confined to issues in the Doha agenda. The implications of this needed further research.

12. The Doha Round should promote increased export opportunities for goods and services of export interest to developing countries, in keeping with the development dimension. A particular concern in that regard was to ensure the timely and effective implementation of the agreement reached at the Sixth WTO Ministerial Conference on duty-free and quota-free market access for LDCs. The temporary movement of natural persons supplying services and the mobility of labour and skills were of special interest to developing countries, particularly LDCs. Liberalization in that area should be a priority in the services negotiations. The rights of workers and temporary services providers in host countries, including the question of wage disparities, especially for low- and semi-skilled workers, should also be addressed. Addressing increasingly prevalent non-tariff barriers hampering developing country exports and strengthening rules in such areas as anti-dumping, subsidies and trade facilitation were also necessary. It was suggested that reforms of multilateral trading system disciplines would help to enhance domestic regulatory reforms, thus creating an enabling national regulatory environment and good economic governance. Analysis of negotiation proposals and their development implications, and strengthening of the negotiating capacity of developing countries, should continue to be provided by UNCTAD. Such assistance had led to a visible improvement in the capabilities of many developing countries to negotiate in the Doha Round.

13. At the multilateral and regional levels, policy space and greater flexibility for developing countries, including through special and differential treatment in the form of asymmetrical liberalization and longer transition periods, were important. They provided developing countries with flexibilities for using policy instruments to support national productive development and help mitigate adjustment challenges arising from market opening.

14. Many developing countries dependent on trade preferences had been unable to use them to diversify, compete and penetrate major markets. In the context of liberalization and the gradual erosion of preferences, the preference-dependent developing countries, affected by efforts to change unilateral preferences into reciprocal trade agreements, needed to be helped to better prepare for and participate in a competitive global trading system. The paradigm shift from preference dependence to reciprocal free trade required a fundamental change in terms of attitudes and development strategy. There was a need for a shift from allowing trade patterns and instruments to determine economic structures to integration of trade policies into overall economic and development policies.

15. Developing countries needed to sensitize themselves to the importance of regional integration agreements as stepping stones to global integration. South–South trade partnerships and dialogue for development were particularly important and should be explored and strengthened. The successful conclusion of the third round of negotiations under the Global System of Trade Preferences among Developing Countries would further boost South–South trade dynamism. That round should thus be expeditiously concluded. Other South–South trade and investment initiatives should also be considered and strengthened. Furthermore, it was suggested that South–South trade liberalization would have strong trade-generating effects, since developing countries' trade profiles showed greater average trade protection against each other's products. It was also suggested that in the light of the emergence of several dynamically growing developing countries as global growth poles, there was a risk that smaller and vulnerable developing countries would be crowded out of

international trade. Such trends could create conflicts among developing countries. UNCTAD was requested to help developing countries in analysing and identifying possible avenues for South–South trade partnership and dialogue between the dynamic economies and the less dynamic ones. Such cooperation among developing countries could be useful in bringing about cross-fertilization of experiences and cooperation between large and small economies in such areas as trade, finance, aid, investment and technology. It could also help to foster more effective integration of the weaker developing countries into South–South trade and international trade generally.

16. The possibility of conflicts among multilateral, regional and bilateral rules had increased considerably with the proliferation of regional trade agreements, including those on a North–South basis, such as the interim African, Caribbean and Pacific–European Union Economic Partnership Agreements. The conclusion of the Doha Round and strengthening of the multilateral trading system would be crucial in bringing about greater compatibility of the regional trade agreements with the WTO and ensure freer and fairer trade for all countries.

17. The formidable potential of the expanding services economy and trade in services was a notable feature of the emerging new frontier of world trade. Reaping development gains from services would require sound national development policies and strategies as well as the securing of favourable terms and conditions for developing countries' participation in the world services trade.

18. The challenge for commodity-dependent developing countries and the international community to define how the current positive outlook for commodities, with high commodity prices, could be transformed into broad-based and inclusive development was highlighted. That would be a major development issue in the next few years. A number of other challenges had emerged, such as food security issues in the light of the recent sharp rise in food prices. These would also have to be addressed in promoting development through commodity production and trade.

19. Aid for Trade and development aid should be complements rather than substitutes, demand-driven and integrated within a broader development strategy such as poverty reduction strategies. Country ownership of the Aid for Trade initiative was necessary if the aid was to be used effectively. Aid for Trade should be implemented in line with the Paris Principles on Aid Effectiveness, and should not be used as a means to impose conditionalities. Such concerns had led some developing countries not to subscribe to the Paris Principles. UNCTAD should prioritize its support to implementation of the Aid for Trade initiative.

20. Growing concerns were expressed about the consequences of climate change, with some developing countries experiencing major negative impacts on their trade and environment. There was thus a clear need to discuss the trade, investment and development aspects of climate change. Appropriate measures, including financial compensation mechanisms, should be adopted to address challenges and mitigate adjustment costs faced by developing countries in responding to climate change and global warming. The effects of initiatives to slow down climate change had trade and development implications, and they should be analysed. Pertinent questions for examination included whether WTO members could adhere to climate change initiatives negotiated elsewhere; how to solve efficiently the issue of relative country burdens in responding to climate change; and the extent to which certain aspects of non-agricultural market access, service and trade facilitation negotiations might be affected as climate-change-induced initiatives led to substantial increases in energy prices. However, caution was also expressed about emphasis on climate change and the WTO because of the current need to focus on an ambitious outcome of the Doha Round and given that climate change issues were already addressed in the WTO. Special mention was made of some countries' efforts, supported by UNCTAD and other institutions, to promote biotrade and biofuels. There was a need for further analysis of the possible benefits of biofuels regarding climate change, the potential

risks regarding land use and food security, and a better understanding of technology requirements.

21. The global search for natural resources, together with growing global FDI flows, made it necessary to effectively counteract anti-competitive practices of transnational corporations (TNCs), especially in the extractive industries, by increasing TNCs' corporate social responsibility obligations. Major markets should be kept open and protectionism checked despite the current economic downturn. UNCTAD's research and analysis work should be strengthened in order to make useful contributions in monitoring economic and policy trends in the international trading system, and to provide early warning and prognosis regarding the impact of such trends on development.

### **UNCTAD's contribution to maximizing gains and minimizing costs from trade-driven globalization**

22. The Commission deliberated on UNCTAD's contribution to maximizing gains and minimizing costs from trade-driven globalization. Chapter II of the background note prepared by the secretariat (TD/B/COM.1/90) provided an indication of possible areas in which UNCTAD's contribution could help promote inclusive development through trade. The secretariat's presentation of that aspect of the note highlighted UNCTAD's long-standing expertise in the integrated treatment of trade and development, based on the three pillars of research and analysis for the generation of new ideas, intergovernmental deliberations and consensus-building on development-oriented policy options, and follow-up practical operations embodied in technical assistance and capacity-building activities. UNCTAD could facilitate interlocution between different perspectives of globalization, and forecasts about emerging trade and development issues so that globalization could be harnessed beneficially for all.

#### *Consensus-building enabling environment for trade and development*

23. Trade-led globalization had brought about development gains, of which some developing countries were major beneficiaries. The commodity price boom, especially in respect of energy commodities, had generated windfall revenues for many energy-exporting countries. However, many other developing countries, in particular the LDCs and other small and vulnerable economies, remained excluded from the new trade dynamism. Also, foreign direct investment had increased in recent years, but only some countries had benefited from it. Most LDCs continued to be excluded from such flows. Financial instability, commodity dependence and preference dependence had led to the exclusion of the poorest from global trade. This dual and contrasting experience with globalization remained a considerable challenge that UNCTAD should address in building an enabling environment for trade and development

24. It was emphasized that UNCTAD played a unique role among international institutions in providing innovative analyses and an independent forum for discussion by all countries of key trade and development issues. Participants recognized the great value of UNCTAD's work in helping developing countries, especially LDCs and other developing countries with special needs, to overcome the challenges of globalization in order to maximize development gains derived from it while minimizing costs. UNCTAD should continue to provide a forum for discussion, exchange of views and consensus-building. The interactive consensus-building spirit of UNCTAD's intergovernmental meetings, especially in a non-negotiations context, was different from that of other international organizations and constituted a strategic pillar for the frank exchange of views on vital trade and development policy issues.

25. The deliberations in UNCTAD had produced a number of important international initiatives that had had significant positive trade and development impacts. They included the Generalized System of Preferences, the principle of special and differential treatment in trade negotiations and agreements, and the Global System of

Trade Preferences among Developing Countries. Those UNCTAD-led initiatives continued to provide developing countries with improved market access for their exports, and the promise of a more equitable international trading system responsive to their urgent and unique development needs and circumstances. UNCTAD's support to developing countries in establishing and implementing competition and consumer policies had helped them deal with anti-competitive practices that prevented them from accessing new markets. UNCTAD's work on services had helped in promoting awareness of the contribution of services to development, and had facilitated policy discussions on best practices that had contributed to the formulation and implementation of national strategies. Those contributions exemplified the relevance of UNCTAD's role in promoting practical initiatives to respond to the trade needs of developing countries. UNCTAD's contribution to making trade and globalization work for development had been a significant one over the years.

*Challenges of multilateral and other trade negotiations*

26. The multilateral trading system under the WTO and WTO members' regional trade agreements were complementary. They were necessary trade liberalization measures that could interact harmoniously to promote trade growth and development. Both tariff and non-tariff measures that impeded developing countries' exports needed to be addressed in trade liberalization programmes. UNCTAD should continue to work in both areas to ensure that development gains from the Doha negotiations and regional integration processes were maximized, and that they were mutually supportive. UNCTAD's support to multilateral negotiations and regional integration processes among developing countries should be significantly strengthened.

27. A continuing challenge faced by developing countries in today's globalizing world economy was in "levelling the playing field" of negotiations, given the asymmetries in negotiating capacities between developed and developing countries. With weak negotiating capacities, developing countries required technical assistance and institutional capacity-building from international organizations. UNCTAD was uniquely placed and equipped to help those countries with research and impact analysis in the area of negotiating issues. Its empirical studies had demonstrated their usefulness in supporting developing countries' participation in trade negotiations and the formulation of development policies, including those on mainstreaming trade into national development plans such as poverty reduction strategies. There was a need for independent analysis by UNCTAD to assist developing countries in trade negotiations and to provide negotiating options that promoted their trade and wider development goals. UNCTAD's work on accession to the WTO was highlighted as important in helping acceding countries undertake informed policy reforms and negotiations.

28. Moreover, UNCTAD's activities had contributed to, and remained pertinent to, building an institutional and participatory approach at national and regional levels for trade negotiations, trade policy formulation and regulatory developments. Multi-stakeholder and inter-institutional consultations, which included the private sector and civil society interacting with the Government, had increased awareness of key trade and development issues and built national (or regional) consensus on common negotiation objectives. Such institutional support helped in-country coordination among different ministries and sectors of the economy to evolve common negotiating options and policies.

29. The usefulness of UNCTAD's capacity-building programmes to enable developing countries and LDCs to participate effectively in multilateral and regional trade negotiations was emphasized. Those programmes should be continued and strengthened. Comprehensive country-level capacity-building projects, such as the UNCTAD/Department for International Development/India Project on Strategies and Preparedness for Trade and Globalization in India, had successfully enhanced the capacity of the Government to address more effectively emerging challenges posed by trade-driven globalization and integrate the concerns of a wider segment of society.

Similar national projects would also be of significant interest and use to other developing countries, and should be considered for development by UNCTAD.

*Challenges of South–South trade and economic cooperation*

30. Trade-driven globalization had generated both new opportunities and challenges. One major emerging opportunity was the expansion of South–South trade and economic cooperation, which provided new sources of growth and development for developing countries. Countries such as Brazil, India and China were becoming dynamos in the global economy and providing new stimulus to South–South trade and investment. They not only set the example, but also created new demand for products from other countries of the South. A new era of development cooperation in the South could be envisaged. Other developing countries could aspire to become leading performers in trade in dynamically growing goods and services. However, it was a challenge to promote development through South–South trade, particularly since regional integration was a slow and difficult process. UNCTAD's research had provided guidance for regional integration, and its technical cooperation had supported regional initiatives in developing countries. UNCTAD should therefore continue to promote and strengthen regional and interregional trade and economic cooperation and integration among developing countries. Particular attention should be given to enhancing the Global System of Trade Preferences among Developing Countries, since it could act as a springboard for greater South–South development cooperation.

*Challenges of services trade and development*

31. Developing countries had to identify and take advantage of new opportunities for trade, investment and development. Trade in services, in particular, was a fast-growing sector that provided many opportunities from which developing countries could easily derive development benefits. The services economy and trade constituted a new frontier of future trade growth. However, the lack of appropriate infrastructure, inappropriate regulatory systems, and weak and uncompetitive supply capacities in most developing countries hampered the potential contribution of services. Such deficiencies must be addressed. At the international level, high transportation costs and limitations on global labour mobility excluded developing countries from international trade. UNCTAD's attention to trade-in-services issues should be strengthened.

*Challenges of commodities and development*

32. Transforming the commodity sector in developing countries from a non-dynamic development engine into a dynamic one in the context of high commodity prices and revenues was a critical challenge. UNCTAD must provide new ideas about how such a transformation could take place. A realistic and feasible agenda for commodity trade and development – one that could be implemented at the country level, and by the international community – was required. Elements of an agenda could be found in the UNCTAD XII pre-events on the Global Initiative on Commodities, the event on hydrocarbon cooperation between India and Africa, the UNCTAD Secretary-General's high-level panel discussion on commodities and the Arusha Declaration on Commodities adopted by the African Union.

*Challenges of Aid for Trade*

33. The Aid for Trade initiative held the promise of trade-focused development assistance that could meaningfully address the immense needs of developing countries in building up trade infrastructure, adjusting to trade reforms and developing competitive supply capacities. UNCTAD and other United Nations bodies, as members of the United Nations system, must be mobilized in the Aid for Trade initiative to provide the global public goods necessary for all developing countries. These included trade policy and negotiations capacity-building support, trade data and informational systems, trade adjustment measures, and building of productive capacities in new and



dynamic sectors of world trade. An UNCTAD XII pre-event on “Aid for trade and development: towards a new global solidarity initiative”, held in Bangkok (Thailand) on 24 and 25 January 2008, was highlighted as having provided an important forum for discussing the role of the United Nations in contributing to implementation of the Aid for Trade initiative. Aid for Trade must be focused on developing the services economy and trade of developing countries. This was the new frontier for trade growth, but many developing countries did not have the capacities, policies and competitiveness to play an active role in services development. The Aid for Trade initiative must support developing countries' national and regional strategies for exploiting the services economy.

*Challenges of emerging trade and development issues*

34. Several issues at the interface of trade and development were in the forefront of the development discourse, including trade and development aspects of climate change, energy and labour mobility. They could not be ignored, for their impact on development and poverty was very real and serious. Citizens in all countries were acutely aware of those issues, and they looked to the international community to bring about changes that could help them address their detrimental impact and develop measures to harness possible gains. UNCTAD must make a contribution to addressing those issues that was consistent with its expertise. Some developing countries were already benefiting from UNCTAD's support in, for example, assessing the possibility of developing biofuels both as a new commodity initiative and as a response to climate change. This was happening in Ghana, for example, in the context of the Economic Community of West African States, and would thus add to the strengthening of regional integration. This was an example of how UNCTAD could help in maximizing gains in a comprehensive approach to trade and development.

35. A major concern today for Governments, citizens and international organizations was to harness the development potential of globalization, and even more important, to make its impact more inclusive. That was where the role of UNCTAD became primordial. With its decades of experience and expertise in making trade work for development, UNCTAD was particularly well placed to provide strategic guidance for countries, regional organizations and the international community on how to maximize and ensure inclusiveness of the development benefits of globalization, trade and investment. Promoting development through trade was a multifaceted challenge, particularly in view of the changing nature of globalization. UNCTAD should continue to provide consistent assistance to developing countries in addressing that challenge and the key emerging issues in the global agenda for development. It should strengthen the provision of expert analysis and technical assistance focused on the challenges and opportunities presented by globalization for weak and vulnerable developing countries. It should expand in-depth analysis, both generic and country- or region-specific, of how the international trading system could more effectively contribute to an equitable distribution of the benefits of globalization among countries while providing them with opportunities to diversify their economies.

**C. Report of the expert meeting on trade and development implications of financial services and commodity exchanges**

(Agenda item 4)

36. Part I of report of the expert meeting on trade and development implications of financial services and commodity exchanges, contained in document TD/B/COM.1/EM.33/4, was presented by the Chair of the first part of that meeting. The meeting had reviewed the potential development role of commodity exchanges in national and regional commodity sectors, discussed the regulatory requirements for overseeing the activities of commodity exchanges, and proposed ways in which commodity exchanges could stimulate South-South trade and regional integration. Commodity exchanges could enable markets to function more effectively and efficiently for commodity chain participants, upgrading sector performance and

enabling better management of risk. Positive externalities might arise from commodity exchange activities, such as improved transparency, dissemination of market information, strengthening of trade-supporting infrastructure and better access to commodity finance. However, it had been emphasized that a commodity exchange was neither a panacea nor an easy solution for a developing country to pursue. Due consideration was required with regard to the applicability of a commodity exchange to the local context, including the nature of the enabling environment and regulatory oversight.

37. Part II of the report was presented by the Chair of the second part of the meeting, at which the trade and development implications of financial services, particularly three subsectors of those services, namely banking, insurance and securities, had been examined. It had been emphasized that a well-functioning financial services sector could leverage economic development by improving productivity, facilitating domestic and international transactions, broadening the availability of credit for small and medium-sized enterprises and for households, mobilizing and channelling domestic savings, attracting foreign direct investment and enhancing efficiency. The experts had requested UNCTAD to assist developing countries in strengthening the financial services sectors and supply capacity; undertaking policy reviews of financial services sectors; institution-building; developing regulatory frameworks and international standard-setting; enhancing understanding of international trade rules covering financial services and related challenges; and undertaking financial-services-related liberalization and cooperation within regional trade agreements. They had recommended that those areas of work be strengthened in the context of UNCTAD XII.

#### **D. Report of the expert meeting on the participation of developing countries in new and dynamic sectors of world trade: the South–South dimension**

(Agenda item 4)

38. The report of the expert meeting on the participation of developing countries in new and dynamic sectors of world trade: the South–South dimension, contained in document TD/B/COM.1/EM.34/3, was presented by the Vice-Chair-cum-Rapporteur. The meeting had analysed the rapidly evolving realities in the new trade geography by examining new and dynamic sectors of trade among developing countries, with particular attention to LDCs and African countries. It had also facilitated the sharing of experiences among countries regarding the existing and future directions of policymaking and research in South–South trade in new and dynamic sectors of world trade, and the establishment of a reliable research network.

39. The meeting had recommended the strengthening of regional integration among developing countries in new and dynamically growing sectors of world trade; improvement of market access and market entry conditions among the countries of the South, including through the Global System of Trade Preferences among Developing Countries; improvement of business information flows among the countries of the South, including through trade fairs; examination of opportunities for participation in new and dynamic sectors, with promotion of diversification and attention to country specificity; and establishment of an interactive network to serve as a platform for researchers and policymakers to exchange ideas on South trade and economic cooperation.

#### **E. Other meetings**

(Agenda item 4)

40. Mention was made of the high-level meeting on trade and development implications of international tourism for developing countries, an UNCTAD XII pre-event held in Geneva. It had highlighted issues and policy options related to enhancing the development dividends of tourism for developing countries, and had provided a

forum for policymakers, negotiators and experts from the private sector and civil society to share experiences regarding successful approaches to developing national tourism sectors that generated economy-wide gains and pro-poor results. Policy recommendations for Governments and other stakeholders at the national, regional and international levels had been identified. In particular, innovative initiatives and enhanced cooperation at the international level were critical in generating improved development gains from tourism. It had been acknowledged that UNCTAD had a long-standing commitment and expertise in helping developing countries benefit from tourism trade and investment policies and strategies, and helping them with regional and multilateral trade negotiations, including the Doha negotiations under the General Agreement on Trade in Services (GATS). That important contribution should be reflected in UNCTAD XII. UNCTAD's activities, including in cooperation with other international organizations, were important in strengthening national tourism supply capacity; improving market access, and international rules on competition and investment prospects for developing countries' tourism; facilitating the temporary movement of workers in the tourism sector in order to improve the quality and availability of tourism services; and boosting South-South tourism.

41. Reference was also made to the meeting on water and free trade, which had been organized by Bolivia in cooperation with UNCTAD and other organizations and donors. The meeting had discussed issues relating to the interface between water and human rights on the one hand, and privatization, and trade and investment agreements on the other hand. One particular topic concerned how water was being addressed in trade agreements, particularly the GATS, and the need to accommodate important social, development and human rights concerns. Another topic discussed had been lessons learned from failed privatization initiatives.

42. Mention was also made of another UNCTAD XII pre-event – the India-Africa Hydrocarbon Conference and Exhibition – organized jointly by UNCTAD, the Indian Ministry of Petroleum and Natural Gas Government, and the Federation of Indian Chambers of Commerce and Industry. It had discussed the harnessing of the benefits of the commodity economy for development, and concluded with the establishment of a framework for cooperation and partnership between India and Africa at different levels in the hydrocarbon sector. This would cover hydrocarbon cooperation agreements between India and the various African countries in exploration and production and downstream policy issues; cooperation between business entities covering joint development of exploration and production and refining businesses through the exchange of memoranda of understanding; increased oil trade between Indian oil refineries and African oil- and gas-producing countries on a mutually beneficial basis; the establishment of joint working groups for focused discussions; the exchange of visits between businesses and government delegations on a periodic basis to ensure time-bound progress; cooperation in the areas of research and development and technology transfer; cooperation in retail marketing of petroleum products and lubricants by Indian companies in African markets; and training of technical and managerial personnel from the African oil industry in India.

43. Finally, reference was made to the meeting entitled “Biofuels: an option for a less carbon-intensive economy”, an UNCTAD XII pre-event. Organized jointly by UNCTAD and the Brazilian Energy Planning Agency, it had provided a platform to discuss trade, investment and sustainable development issues arising from measures taken in response to climate change. It had noted that the biofuels option, if properly assessed, planned and sequenced, could offer win-win-win opportunities for developing countries – in terms of climate change benefits, rural development, decent work and energy diversification – while leading to a less carbon-intensive economy. If properly introduced and sequenced, biofuels did not have to impair food security and deforestation. The meeting concluded, however, that the biofuels option should be considered in a broader policy and economic context, taking fully into account individual countries' circumstances. UNCTAD had a significant role to play in

assisting developing countries facing the expected shifts in relative prices and relative production costs stemming from the introduction of climate policies and measures. It could contribute, for example, to a more robust international biofuels market.

**F. Implementation of the agreed conclusions and recommendations of the Commission on Trade in Goods and Services, and Commodities, including an assessment of the work of the Commission since UNCTAD XI**

(Agenda item 5)

44. A progress report (TD/B/COM.1/91) was presented by the secretariat. It highlighted the legislative basis for UNCTAD's work on international trade in goods, services and commodities, especially the São Paulo Consensus, and concluded that the Commission on Trade in Goods and Services, and Commodities was an indispensable component of the intergovernmental pillar of UNCTAD. It had served to provide guidance to the secretariat on the priority areas for implementing the São Paulo Consensus; it had conducted frank and open deliberations and adopted conclusions and recommendations that provided useful guidance on key trade policy issues; and it had conducted in-depth analysis of trade issues and their impact on development.

45. The secretariat's presentation then discussed the main recommendations of the Commission since UNCTAD XI, the activities of the secretariat and the main results achieved in respect of seven areas, namely trade and MDGs; enhancing the participation of developing countries in new and dynamic sectors of world trade; market access, market entry and competitiveness; preferences, South-South trade, and regional and global trade agreements; commodities; trade in services and its development implications; and trade, environment and development. It concluded that the quality integration of developing countries into the global economy through trade was essential in the era of unprecedented globalization. UNCTAD was making, and could make, a difference in helping developing countries, especially LDCs and small and vulnerable economies, as well as countries with economies in transition, to meet the daunting challenges facing them and take advantage of emerging opportunities. In that connection, there was a need for cooperation, coherence and development cooperation in creating an enabling and complementary environment in which trade could grow and everyone could benefit.

**G. Other business**

(Agenda item 6)

46. No business was discussed under this item.

**II. Organizational matters**

**A. Opening of the session**

47. The twelfth session of the Commission on Trade in Goods and Services, and Commodities was opened at the Palais des Nations, Geneva, on 7 February 2008 by Mr. Christophe Guilhou (France), Chairperson of the Commission at its eleventh session.

**B. Election of officers**

48. At its opening plenary meeting, on 7 February 2008, the Commission elected the following officers to serve on its Bureau:

Chair: H.E. Mr. Gusti Agung Wesaka Puja (Indonesia)

Vice-Chairs: Mr. Johan Van Wyk (South Africa)  
Mr. Dario Celaya Alvarez (Argentina)  
Ms. Fatima Ghazali (Oman )  
Mr Fredrik Arthur (Norway)  
Mr. Edward Brown (United Kingdom)

Rapporteur: Ms. Saltanat Tashmatova (Kyrgyzstan)

### **C. Adoption of the agenda and organization of work**

49. At the same meeting, the Commission decided to remove agenda item 6 from the provisional agenda circulated in document TD/B/COM.1/89, having agreed not to discuss the provisional agenda for the thirteenth session of the Commission, pending the outcome of UNCTAD XII. Accordingly, the revised agenda for the twelfth session was as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Globalization's contribution to development: the trade perspective and UNCTAD's contribution
4. Reports of expert meetings:
  - (a) Expert meeting on the trade and development implications of financial services and commodity exchanges
  - (b) Expert meeting on the participation of developing countries in new and dynamic sectors of world trade: the South-South dimension
5. Implementation of the agreed conclusions and recommendations of the Commission on Trade in Goods and Services, and Commodities, including an assessment of the work of the Commission since UNCTAD XI
6. Other business
7. Adoption of the report of the Commission to the Trade and Development Board

### **D. Adoption of the report of the Commission to the Trade and Development Board**

50. At its closing plenary meeting, on 8 February 2008, the Commission authorized the Rapporteur to prepare a report on the session, containing the Chair's summary of the substantive items, for the Trade and Development Board.

## Annex

### Attendance

1. Representatives from the following States members of UNCTAD attended the Commission:

Albania	Kyrgyzstan
Algeria	Lesotho
Angola	Lithuania
Austria	Madagascar
Bangladesh	Malaysia
Belarus	Mali
Benin	Mauritius
Bosnia and Herzegovina	Mexico
Brazil	Netherlands
Bulgaria	Nicaragua
Chad	Nigeria
China	Norway
Colombia	Oman
Côte d'Ivoire	Philippines
Cuba	Qatar
Czech Republic	Romania
Democratic Republic of the Congo	Russian Federation
Ecuador	Saudi Arabia
Egypt	Serbia
Finland	Slovenia
France	Spain
Germany	Sri Lanka
Ghana	Switzerland
Greece	Syrian Arab Republic
Honduras	Thailand
India	The former Yugoslav Republic of Macedonia
Indonesia	Uganda
Iran (Islamic Republic of)	United Arab Emirates
Iraq	United Republic of Tanzania
Israel	United States of America
Italy	Yemen
Japan	Zimbabwe
Kuwait	

2. The following observer States were represented at the Commission:

Holy See  
Kazakhstan

3. The following intergovernmental organizations were represented at the Commission:

African Union  
Common Fund for Commodities  
European Community  
League of Arab States  
Organisation internationale de la francophonie  
South Centre

4. The following United Nations agency was represented at the Commission:

Economic Commission for Africa

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5. The following specialized agency and related organization were represented at the Commission:

United Nations Industrial Development Organization  
World Trade Organization

6. The following non-governmental organizations were represented at the Commission:

*General Category*  
International Organization for Standardization  
Third World Network

7. The following panellists were present at the Commission:

*7 February 2008*

Mr. Ha-Joon Chang, University of Cambridge  
H.E. Mr. B. C. Servansing, Permanent Representative of Mauritius, Geneva  
Mr. John Clarke, Deputy Head of Delegation, European Commission  
H.E. Mr. Debapriya Bhattacharya, Permanent Representative of Bangladesh,  
Geneva  
Dr. Simon J. Evenett, University of St. Gallen

*8 February 2008*

Dr. Ha-Joon Chang, University of Cambridge  
H.E. Mr. Kwabena Baah-Duodu, Permanent Representative of Ghana, Geneva  
Mr. Rajan Ratna, Director, Department of Commerce, Ministry of Commerce  
and Industry, India

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