



**Follow-up International Conference  
on Financing for Development  
to Review the Implementation  
of the Monterrey Consensus**

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Agenda item 9 (a)

**Multi-stakeholder round tables under the overall theme  
“Looking ahead: further cooperative actions in financing for  
development”, focusing on the following six major thematic areas**

**Round table 3**

**International trade as an engine for development**

**Summary of discussion**

1. Round table 3 was co-Chaired by Olga Algayerova, State Secretary of the Ministry of Foreign Affairs of Slovakia, and Ana Vilma de Escobar, Vice-President of El Salvador. Valentina Rugwabiza, Deputy Director-General of the World Trade Organization, moderated the panel. Presentations were made by the following panellists: Pedro Luiz Carneiro de Mendonça, Under-Secretary-General for Economic Affairs of Brazil; Debapriya Bhattacharya, Permanent Representative of Bangladesh to the United Nations and other international organizations in Geneva, and President of the Trade and Development Board of the United Nations Conference on Trade and Development; Miguel Hakim, Secretary for Iberoamerican Cooperation, Secretaria General Iberoamericana; Abdoulie Janneh, Executive Secretary of the Economic Commission for Africa; Sun Zhenyu, Ambassador of China to the World Trade Organization; and Paavo Väyrynen, Minister for Foreign Trade and Development of Finland.

2. Ms. Rugwabiza, introducing the subject, noted the importance of keeping international trade open in the face of the current financial crisis since it was intrinsically related to growth and development, and stressed the urgency of completing the Doha round of multilateral trade negotiations with a balanced outcome. The coordinated liberalization of trade under fair and equitable rules was vital for all countries; one of the key objectives of the World Trade Organization was to ensure a level playing-field for all its members and help countries neglected by globalization to integrate themselves. “Aid for trade” was critical in that respect since many poor countries lacked the supply capacity to take advantage of improved market access, and, developed countries therefore needed to renew their commitments.

3. Mr. de Mendonça stated that Brazil had benefited from trade liberalization in the 1990s thanks to the industrial base built under the import-substitution phase.



Subsequently, an enabling international environment was critically important for development. However, that environment had been defined by United States and European policies; as an important exporter of agriculture and resources, the United States competed with developing countries and Europe, and its agricultural subsidies gave it a competitive advantage. Although some developing countries, such as those in East and South-East Asia, managed to achieve export-based development, many developing countries failed to benefit from international trade. A successful Doha round could rebalance the system. Still, the current crisis threatened that opportunity and it was crucial to coordinate crisis-fighting and resist protectionism. As President Lula had stated, the Doha round had become not just an opportunity but a necessity.

4. Mr. Bhattacharya noted that trade was just one of the engines for development and depended on the other engines, such as domestic policy space and foreign direct investment. The major instrument for facilitating the beneficial effects of trade for developing countries was special and preferential treatment. Complimentarity and coherence were the key principles involved. However, international conditions were going to be extremely difficult in the near future owing to the current financial crisis, climate change and the volatility of food and commodity prices. Worldwide recession was not only an economic but also a political threat, as demonstrated by recent events in Afghanistan, Iraq and South Asia. Immediate challenges included sustaining the multilateral trading system and resisting hegemonic and protectionist tendencies; concluding the Doha round with a balanced outcome, including tariff-free and quota-free market access for all least developed countries and their goods; and resolving the commodities issue, the cotton issue being the prime example. Domestic policy and institutional reforms were also necessary to ensure that trade benefits resulted in poverty reduction.

5. Mr. Hakim assessed the implementation of five trade-related paragraphs of the Monterrey Consensus. Substantial progress had been made in expanding World Trade Organization accession; increasing financial resources derived from trade, although 2009 would see the first decline in exports since 1982 in the Latin American and Caribbean region; expanding bilateral and regional free-trade agreements; and redoubling aid for trade. However, the most important paragraph on the conclusion of the Doha round had not been achieved, although the “Lamy package” had come close to convergence. Therefore, the Doha Conference needed to provide at least a political impetus and a road map for further negotiations.

6. Mr. Janneh stressed that trade was indeed the most important engine for development for Africa in many ways, although the continent faced serious obstacles, such as limited supply capacity, limited trade-related infrastructure and credit availability, a lack of diversification and difficult geography, including 15 landlocked countries, so that the cost of trade could reach 50 per cent of goods value, as in the case of Chad. Therefore, well-targeted aid for trade for ports, telecommunications and customs capacity-building was effective, as the newly established trade policy centre in Addis Ababa had shown.

7. Mr. Zhenyu spoke of China’s historical experience of 400 years of closed-door policies and their liberalization since the late 1970s. He stated that the 30 per cent annual increase in Chinese imports in recent years was helping other countries, especially in Asia. The financial crisis was already having an impact on trade, however, with export orders for Christmas falling by 30 per cent — and by up to 70 per cent for some goods. China needed over 100 million new jobs annually,

which required at least 8 per cent annual growth. Therefore, worldwide stimulus, open trade and financial flows were needed to avoid the mistakes of the 1930s; the conclusion of the Doha round was vital in that sense. Agricultural subsidies needed to be eliminated and tariffs needed to be cut deeply with less than full reciprocity by developing countries, and vulnerable countries should enjoy special and preferential treatment. China's average bound and applied tariff was 15.2 per cent, compared with the 60 per cent world average bound rate and the average agricultural tariff rates of 42 per cent in Japan and 22 per cent in the United States of America and Europe, and China's tariff would be cut further to 12 per cent. He stressed that China's aid was strictly based on non-interference in the internal affairs of recipient countries, an approach that China had itself requested of its donors in the past.

8. Alluding to Finnish experience, Mr. Väyrynen emphasized that trade and poverty reduction were the right policies for developing countries. He was optimistic about the Doha negotiations following Mr. Lamy's plan to convene a new ministerial meeting before the end of 2008 and the planned European Union meeting on free trade agreements. The speaker also expressed hope that emerging market countries would follow the European Union lead in offering tariff-free and quota-free access to least developed countries, and complimented China's announcement of such treatment for 95 per cent of least developed countries' exports.

9. Following the presentations, an interactive debate was held. Some delegates expressed dissatisfaction with the level of progress in the Doha round, the current international trading system and restrictions on World Trade Organization accession, and called for reforms of the international trading system and institutions. Many delegates stressed the importance of keeping international trade unrestricted in the current difficult times and encouraging South-South cooperation. They noted the complementary nature of aid for trade to the Doha round, and called for it being additional to official development assistance and transparent.

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