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(As an Observer)

Context

The September UN Summit in New York raised hopes that 2005 would be a year during which significant progress would be made on the interrelated issues of aid, debt and trade. While much still remains to be done, advances have been observed on both aid and debt during the year. It is now evident, however, that progress in the Doha Round has been sluggish. As a result, the contribution of trade to MDG achievement, arguably the most important leg of the development tripod, has lagged.

Yet trade is at the core of the interdependence that binds countries together and global multilateral trade rules have the potential to benefit both industrialized and developing countries. When properly harnessed, trade has contributed both to economic growth and to some highly visible human development advances, enabling millions of people to escape poverty. However, current patterns of liberalization and globalization, while creating new opportunities and prosperity for some, have simultaneously exacerbated inequalities between both rich and poor people and countries. It is, therefore, imperative that the Doha Round should lead to an expansion of trade and economic growth which particularly benefits developing countries and their more vulnerable population groups.

UNDP considers the MDGs as a global compact which seeks to achieve this, based on joint responsibility and mutual accountability. But the slow progress in the Doha Round negotiations has raised serious doubts about whether the global partnership for development agreed in Monterrey and embodied in MDG 8 will be deliverable by 2015.

Trade Capacity Development for the MDGs

In view of the challenges posed by the MDGs, a substantial scaling up of "aid for trade" to LDCs and other low-income countries is necessary to strengthen their domestic productive capacities, overcome institutional and human resource constraints, and deal with trade facilitation and other supply side issues. In addition to a significantly enhanced Integrated Framework for Trade Related Technical Assistance for the LDCs (IF), support is also required for national and regional trade related infrastructure projects as well as fiscal adjustment to trade liberalization, preference erosion and other trade shocks.

UNDP places great importance on its role in trade capacity development at the country level and believes that strengthening both the domestic productive capacities of developing countries and dealing with their other supply side constraints in the context of national development and poverty reduction strategies should be given high priority. However, such support will not be effective or

meaningful without additional, predictable donor resource commitments within an agreed multi-year replenishment cycle.

While there is broad consensus on this, many developing countries are concerned that "aid for trade" might become part of the overall negotiating package for the Doha Round, instead of just a complement to it. UNDP believes that "aid for trade" should be recognized as legitimate in its own right and should not become a substitute for an ambitious development outcome from the negotiations. It should be viewed as complementary and will require substantial additional resources if MDG achievement is not to be jeopardized.

UNDP Engagement in trade and development

UNDP has prioritized trade policy issues at national, regional and global levels from a human development perspective. This became necessary not only in light of the organization's human development and inclusive globalization mandates, but also because of its lead role in the MDGs, and the centrality of trade issues for the achievement of MDG 8 and many of the other millennium development goals.

UNDPs country-specific, regional and global trade-related projects seek to address three core capacity development needs. These are:

- (i) The capacity to compete internationally by overcoming institutional, human, and other supply side bottlenecks;
- (ii) the capacity to negotiate, interpret and implement trade agreements (multilateral, regional, and bilateral) in a manner which prioritize poverty reduction and human development concerns; and
- (iii) the capacity to integrate pro-poor trade policies in national development strategies.

UNDP remains committed to prioritizing these three capacity development needs in the future. Its own capacity to implement such projects has considerably strengthened in recent years. Its global team of trade policy advisers is located in New York, Geneva, and all the major regions of the developing world.

On the IF, UNDP works in close partnership with the other five core agencies (WTO, UNCTAD, World Bank, IMF and ITC) which are involved in this initiative. UNDP serves as trust fund manager and lead agency for the capacity development component. With the expected enhancement of the IF, UNDP expects to leverage its almost universal presence at the country level as well as its traditional in-country role in capacity development and aid coordination to scale up IF support.

At the regional level, the UNDP Asia Pacific Trade and Investment Initiative, now already in its second phase, is designed to strengthen the capacity of developing country governments to make linkages between trade, poverty reduction and human development and translate these into both their domestic and international trade policy. Particular attention is also being placed on assessing both the fiscal implications of trade liberalization and the human development impact of the phase-out of textiles and clothing quotas in Asian LDCs with a view to exploring policy options for the future. A UNDP multi-year regional trade, poverty reduction and human development programme is currently under implementation in Africa with strong IF synergies. A similar programme is about to be launched for the Arab States region. UNDP also has global programmes such as on Intellectual Property and Access to HIV/AIDS drugs which seeks to support implementation of the Doha Declaration on TRIPS and Public Health and its 30 August 2003 paragraph six decision which,

following the 6 December 2005 General Council decision is to be incorporated as an amendment of the TRIPS agreement.

Hong Kong and beyond

Despite important steps forward including consensus on the importance of "aid for trade", much in the development agenda of the Doha Round remains unfinished. Given that so many poor countries are struggling to cope with balance of payments and other difficulties associated with rising global oil prices, it is particularly important that the development dimension of the Round delivers market access in industrialized countries for products of particular interest to low income developing countries. As a result, UNDP believes that Members should, at minimum, reach consensus on the following issues in Hong Kong, which if agreed, will ensure the achievement of an "early harvest". This will also signal that, despite the lowering of ambitions, the Hong Kong Ministerial Conference succeeded in maintaining the momentum for a development outcome.

- Duty-free, quota-free market access for LDCs to all OECD countries and to developing countries that can afford to provide this, such as Brazil, India and China and including flexible rules of origin;
- a substantial package of special and differential treatment measures which are of particular importance to LDCs;
- in agriculture, an end date (2010) for the phase-out of all agricultural export subsidies and trade measures which adequately address the cotton subsidy concerns of West and Central African states; and
- a concrete commitment to an enhanced Integrated Framework for Trade Related Technical Assistance for the LDCs as well as a broader "aid for trade" package for developing countries.

UNDP also strongly advocates that the current consensus on prioritizing the development dimensions of the Doha Round is strengthened after Hong Kong. If this is to happen, significant progress from a developmental perspective will be required in at least four more areas that are currently under negotiation and are of vital interest to developing countries. These are agriculture; industrial tariffs; services; and special and differential treatment.

(i) Agriculture

The current impasse in agriculture needs to be overcome as this is the key to unlocking progress in other areas of negotiation. In addition to an 'early harvest' agreement on 2010 as the deadline for the phase-out of export subsidies from all OECD countries which should be agreed in Hong Kong, action will be required in (a) significantly improved developing country market access to OECD country markets including reduction in their tariff peaks and tariff escalation which makes it difficult for developing countries to add value to their unprocessed commodities and other products; and (b) specific reduction commitments in OECD domestic farm support.

(ii) Industrial tariffs

It is essential that any agreement in the area of non-agricultural market access (NAMA) reaffirms the potentially strategic role that trade policy can play as an effective tool for an industrialization strategy. Developing countries should be allowed to maintain policy space for their industrial and employment objectives and in order to avoid acute economic and social adjustment costs. Both industrialized countries and more industrialized and rapidly industrializing developing

countries such as China, Brazil and India should be willing to make greater concessions in industrial tariff negotiations than poorer or less industrialized developing countries.

(iii) Service

Strategic and selective liberalization in services trade has the potential to benefit both developing and industrialized countries and can enhance human development outcomes.

Developing countries should be willing to increase both the quality and number of their offers after a comprehensive assessment of their needs, and consistent with MDG achievement. A genuine development round will also require industrialized countries to make substantive offers in service areas of interest to developing countries such as GATS Mode 4.

(iv) Special and Differential Treatment

The principle of S&D treatment is of crucial importance to developing countries and should protect their right to development. There is an urgent need to prioritize those proposals of most interest to all developing countries and reach agreement on them early in 2006.

Finally, UNDP recognizes that the development dimensions of the Doha Round are broader than the areas prioritized above. Nevertheless, tangible and early progress in these areas, both at and after Hong Kong, will create the necessary confidence among Members and contribute to the perception that a timely and successful conclusion of the Doha Round is still possible by December 2006. Progress in these areas will also represent a significant step forward in making, the global trade regime more "development friendly" and better oriented towards the achievement of both the MDGs and enhanced human development outcomes.
