

Intervention of Ambassador Vicente Vallenilla, Deputy Permanent Representative of Venezuela to the United Nations, on behalf of the Group of 77 and China, on agenda item 84 (a): Macroeconomic Policy Questions: Trade and Development

New York, 11 November 2002

Mr. Chairman,

International trade was central in this year's negotiations at the United Nations. During the Conference on Financing for Development, we thoroughly discussed this issue, avoiding the interference with the process, but emphasizing the issues that the International Community should worry about. The same took place during the process of Johannesburg, where we had to stop the negotiation in Bali, since we could not advance in the elemental questions of policies related to international trade.

These concerns do not refer only to trade itself, but also to the consequences that the absence of progress have in this regard. If trade, in terms of value-added, does not contribute to capital formation in the developing countries and to the financing of a model of sustainable and sustained development, we have to realize that we have not achieved much in these negotiations.

Over the past three decades, developing countries have integrated rapidly in to the world trading system, increasingly contributing to world trade. Our world merchandise trade share increased from less than one fourth to almost one third. However, the benefits have fallen far short of our expectations. For almost all developing countries imports expanded faster than exports, resulting in a deterioration of our trade balance. With an exemption of a few countries, market diversification has been small and most developing countries continue to rely on resource- and labour-intensive exports.

We also had to witness that this promising expansion in world trade is not directly linked to economic growth and to greater income convergence with industrial countries. While the share of developed countries in world income has increased from less than 73 per cent in 1980 to 77 per cent in 1999, that of developing countries stagnated at around 20 per cent. And although the share of developed countries in world manufactured exports fell from more than 80 per cent to about 70 percent during this period, their share in world manufacturing income rose.

Why have the developing countries not been able to benefit from increased trade?

One of the reasons is that the markets of the developed world for products of export interest of the developing countries continued to be restricted. Improved access to Northern markets therefore remains one of the most important issues to be tackled to combat poverty and reach the agreed development goals and targets.

Estimates reckon that at least \$700 billion in export earnings could be generated for developing countries if protection for labour-intensive activities in industrialized countries was removed. However, the developments of today's interdependent world trading system also show that in addition to increased market access we have to address the dangers of excessive competition and the downward trend in commodity prices. Progress will also require new thinking on the nature and scope of the negotiations.

The WTO's post-Doha work programme has raised great expectations among developing countries. We have shown our commitment to the multilateral trading system by taking on new and substantive commitments over the whole range of the WTO agreements. It is very unfortunate that not much progress has so far been achieved this year in the WTO on the issues of particular interest to developing countries and that the treatment of such issues has fallen behind schedule.

The SG of UNCTAD warned of “the danger of using the label “Doha development agenda” as a public relations label”. It is a danger for the overall multilateralism, for the credibility required to ensure that the trade rules are respected by all and that the word “development” in the post-Doha process is not an empty one. Concrete results need to be visible for the developing countries during the ongoing trade negotiations at the WTO and in the final, development-oriented, outcome to be agreed upon at the end of the process.

The ongoing Doha process is therefore a test of credibility: a round that achieves some results in some of the areas that are a priority for the rich countries but does not represent crucial trade opportunities for the majority of the poor is not credible. That would be the case if agriculture negotiations would not manage to eliminate the distortions created by the domestic policies of some industrialized countries. The total OECD support to agriculture sectors equals \$ 365 billion per year i.e. one billion per day. The credibility test will also be applied to the capacity of the ongoing negotiations to solve the implementation problems generated by the Uruguay Round agreements. Likewise, what kind of credibility will be shown if no practical solutions are found to ensure that the TRIPS rules can be compatible with the basic, vital public health policies. What is at stake in the WTO negotiations is the capacity of the international community to put trade at the service of development.

Protectionist measures continue to be with us in spite of the progress made by the Uruguay Round and the adoption of the Doha Declaration, and continue to affect the products and the sectors where the developing countries have more potentialities: agriculture, textiles, some manufactures or semi-manufactured goods such as leather, processed fruits and vegetables, etc. In this regard, the agenda of the main trade interests of the developing countries did not evolve much since the last decade: it contains the same frustrations, the same expectations of dismantling those non-tariff barriers, tariff peaks and other protective measures that distort not only trade flows but also deny the very goals of trade liberalization.

We must restore confidence in the multilateral trading system by ensuring that the development-related provisions of the Doha Declaration are given real substance. The concerns of developing countries in terms of implementation issues, S&D treatment, enhanced market access, balanced rules and well-targeted capacity-building programmes need to be met prior to Fifth Ministerial Meeting in Cancun, in September next year. Key deadlines must be respected. The mid-term review at Cancun should provide tangible proof of progress in addressing the development dimension of the multilateral trading system.

Te G-77 is concerned that the process of accession to WTO is slow and that reaching the universality of the WTO is still far. It is clear that no link could be made between trade and development if, for instance, not one single LDC managed to accede to the WTO since the Uruguay Round. And this continues to be the case despite the provisions of the Programme of Action of LDC III and of the Doha Ministerial Declaration.

Regional integration is an important component for the development of developing countries. It is therefore essential that the development option provided to developing countries through regional economic integration processes should not be undermined in any way by negotiations aimed at clarifying and improving the rules relation to regional trade agreements. The Doha Declaration clearly notes that the improvement of the rules on regional trade agreements (RTAs) should maintain the development dimension of RTAs. In this area, consideration might usefully be given to explicit recognition of asymmetrical agreements, involving developed and developing countries, permitting lesser obligations by the developing partners.

Technical assistance and capacity building for developing countries in the post-Doha process is essential. UNCTAD should continue to provide analytical and technical support to the realization of development dimension and in providing capacity building in relation to institutional and human infrastructure building in the area of international trade. UNCTAD's support, through its demand-driven technical cooperation programme, is therefore critical to help developing countries to participate fully and effectively in the WTO post-Doha process as well as addressing the supply-side issues to revitalize and diversify their productive

sectors.

We reiterate therefore the important role that UNCTAD has to play in helping developing countries to integrate into the world economy and, in this regard, calls for concrete steps to strengthen UNCTAD and its capacity to assist developing countries in trade and development-related issues, including through the provision of new and additional resources, and in the implementation of the Doha work programme.

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