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Over the past two decades, the mixed record of trade performance, economic growth and poverty reduction across developing countries has been the source of the ongoing international debate on the role of trade and trade policy reform in the development process. Income inequality has grown and remains a problem between and within countries, and poverty remains endemic in developing countries, with about 1.2 billion people living on less than $1 per day in 1999. This makes the Millennium Development Goal of halving poverty by 2015 a daunting challenge. Trade has a major role to play in addressing this challenge by way of raising income levels and reducing poverty levels in all regions.

Overall trading conditions appear favourable in the period ahead. International trade increased by 3 per cent in 2002 and 5 per cent in 2003; it could possibly increase by 7 per cent in 2004. Developing countries made a significant contribution with a robust 9 per cent growth. Much of this improved performance was attributable to increased import demand in developing and, to a lesser extent, transition countries.

However, there is a great diverengence of performance in trade. Africa, Latin America and the LDCs recorded modest trade growth. LDCs and commodity-dependent countries, the large majority of which are African countries, continue to remain marginalized in international trade. Half of all developing countries depend on non-fuel commodities for more than half of their export earnings (two thirds if fuels are included). The share of LDCs in global merchandise trade, for example, witnessed a secular decline from 1.46 per cent in 1970 to 0.25 per cent in 2001. These countries thus remain vulnerable to external shocks. Their common and specific trade and development needs and interests require focused international attention.

A fundamental development challenge and opportunity today is to ensure that commercially meaningful and measurable development gains accrue to developing countries, especially the least developed among them, from their participation in the international trading system and trade negotiations – in other words to ensure that trade acts as an engine of growth, wealth creation and poverty alleviation for developing countries. With the momentum of the Millennium Declaration and Millennium Development Goals and international efforts to achieve them in the development, financial and trading spheres, there is great potential for the beneficial integration of developing countries into the international trading system. This could generate a "triple win" – a win for developing countries; a win for developed countries; and a win for the international trading system and world economy.

Nurturing and strengthening developing countries' production and trading capacity and purchasing power can, in turn, contribute to spreading global prosperity, reducing poverty, and expanding markets, including for developed countries.

The multilateral trading system itself is at a cross-roads. The high expectations of development-oriented results from the Doha Work Programme, launched by the Fourth WTO Ministerial Conference in September 2001, were affected by the setback suffered by the Fifth WTO Ministerial Conference in Cancún in September 2003. The revitalization of the trade talks is now commanding the attention of WTO Members. Efforts by the Members and in other forums such as UNCTAD are needed to overcome the problems faced, promote flexibility, and facilitate consensus building that responds to core market access issues, with a significant development package. The "July Framework" provides a way forward in this regard.

In the view of the potential gains from the multilateral trading system, all countries have a shared interest in the success of the Doha Work Programme. This means giving priority to the core trade liberalization and development issues, such as market access (agriculture, manufactures, services) and market entry issues (non-tariff barriers, SPS, TBT, environmental standards, concentrated market structures), implementation issues, special and differential treatment, concerns of LDCs, technical assistance, working groups on small economies, trade and transfer of technology, and trade, debt and finance.

Such a focus would allow for manageability of the Doha negotiations and mainstreaming of the development agenda. At the same time, the resurgence of protectionism in some key markets, in both old and new areas of trade of importance to developing countries, needs to be countered. Also, enhancing the technological capacity of developing countries is important to building their productive capacity and increasing competitiveness. Greater space for innovation, and adaptation and improvement of technology in the light of local conditions and requirements, is crucial. Nationally, trade and development priorities need to be integrated into national development policies and plans, and vice versa.

Integration into the international trading system, however, entails short- and long-term costs, especially for developing countries. For example, there will be a continual need to address loss of employment, displacement of local production, erosion of preferences, loss of fiscal revenue from trade taxes and exposure to world market volatility. Coherence of trade with international financial systems is necessary in order to genuinely improve development prospects, which in many developing countries are undermined by continuing high debt repayments and other financial outflows. Moreover, efforts to ensure development gains must be based on an objective and realistic evaluation of the actual experience of developing countries and the influence of developed countries' policies.

The UNCTAD secretariat has a solid 40-year track record in promoting international dialogue and consensus on trade and development strategies that can enable developing countries to use trade as a motor for economic transformation. A renewed vision may now set the foundations for further strengthening the comparative advantage and uniqueness of UNCTAD, on the basis of the Bangkok Plan of Action and the São Paulo Consensus offers a road map in this regard. Such a "new trade and development solidarity" at the international, multilateral, regional and national levels inspired by the Millennium Declaration and Millennium Development Goals, can work towards poverty reduction.

This publication provides a summary of the UNCTAD XI interactive debate on "Assuring development gains from the multilateral trading system and trade negotiations." The deliberations and conclusions of the interactive session informed and guided the decisions reached by the Conference on sub-theme 3, ("assuring development gains from the multilateral trading system and trade negotiations") within the overarching theme of the conference, namely "enhancing coherence between national development strategies and global economic processes in support of economic development, in particular of developing countries".

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Prepared by the UNCTAD Secretariat

A. Assuring Development Gains from the Multilateral Trading System and Trade Negotiations

B. Policy Options and Strategies to Support Developing Countries' Competitiveness in the Most Dynamic Sectors of International Trade

The debate on how to better capture development gains from trade was initiated on the basis of background notes[2] provided by the secretariat, and with keynote presentations by President Yoweri K. Museveni of Uganda and President-Elect Leonel Fernández of the Dominican Republic. Discussions included observations and remarks made by 40 Ministers and Vice-Ministers, 10 senior officials, 6 representatives from international and regional organizations, and 1 civil society representative. The debate was chaired by H.E. Mr. Mukhisa Kituyi, Minister of Trade and Industry of Kenya, and H.E. Ms. Agnes M.A. Van Ardenne-Van Der Hoeven, Minister for Development Co-operation of the Netherlands. Mr. Rubens Ricupero, Secretary-General of UNCTAD, closed the debate.

The debate focused on the following interrelated issues: (a) assuring development gains from international trade, the international trading system and trade negotiations in an equitable manner; (b) strengthening competitive production and export supply capacity of developing countries; (c) improving market access and entry conditions in the main markets of developing countries; (d) enhancing the domestic value added of exports through diversification; (e) increasing the participation of developing countries in new and dynamic sectors wherein world trade is increasing at higher rates and long-term export potential is substantial; and (f) building human capital and institutional and regulatory infrastructures.

There was considerable emphasis on the difficulties faced by the commodities sector in developing countries in terms of both low and fluctuating prices and the shares of value added retained in developing countries, as well as the potential that this sector presents for sustainable development if appropriate international and domestic policies and measures are implemented. A common view emerged that market access and entry are a necessary but not sufficient condition for developing countries to reap gains from trade. Assuring such gains also depends on a range of external and domestic factors that affect the participation of developing countries in world trade. A number of developing country participants cited