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FFD PREPCOM HIGHLIGHTS: THURSDAY, 18 OCTOBER 2001

Delegates gathered for the seventh, eight and ninth sessions of the resumed Third PrepCom. In the morning, delegates met in Plenary for a presentation and then continued with informal consultations throughout the day on the Draft Outcome's second section, debating chapters on trade, international financial cooperation and debt.

PLENARY

At 10:20 am, Co-Chair Jacoby convened the PrepCom and introduced Rubens Ricupero, the Secretary-General of UNCTAD. Referring to terrorism, he noted there is no international mechanism for dealing with its adverse impact on industry worldwide, and listed problems with airlines, dropping commodity prices and the availability of finance. Concerned for LDCs, he underlined their limited capacity to bail out their industries or stimulate their markets. He asked the PrepCom to ensure an ordered process and a balanced agenda, geared toward improving governance and coherence in policy.

INFORMAL CONSULTATIONS

TRADE: In section two's third chapter (trade), the G-77/CHINA endorsed trade as an engine for growth and development, and supported paragraph 18, on eliminating barriers and subsidies. In paragraph 19, on environmental and labor concerns, he agreed that these issues should be addressed separately to avoid inhibiting trade; added reference to special and preferential treatment to integrate developing countries in world markets; and proposed adding a new paragraph on the necessity of supporting developing countries to incorporate trade policies. In paragraph 20, on supporting development, he suggested language on sectors for trade and development in developing countries. In paragraph 21, on regional and sub-regional cooperation, he proposed deleting reference to free trade areas as building blocks. In paragraph 22, on market access for developing countries, he suggested reference to "full-scale, stable and predictable" markets. He supported paragraph 23, on stabilizing export revenue, and in paragraph 24, on institutional support, he suggested references to, *inter alia*, a policy framework for managing trade development strategies to assist LDCs.

The EUROPEAN COMMISSION, on behalf of the EU, said benefits from trade depend on domestic policies; supported liberalization without specifying sectors; and objected to full elimination of agricultural subsidies. He stressed, *inter alia*, domestic poverty reduction; regional integration; and international assistance in trade facilitation, infrastructure and production capacity. Noting OECD agricultural subsidies of US $300 billion per year, AUSTRALIA and NEW ZEALAND supported trade liberalization through a new WTO round, and pursuing labor and environmental concerns as separate goals.

JORDAN emphasized eliminating subsidies and trade barriers. MEXICO supported reducing operational costs while improving risk-return ratios and recognizing links between trade and FDI. In paragraph 24, he proposed stronger actions to promote trade opportunities. JAPAN drew attention to supply-side trade restrictions and cautioned against duplication of WTO work. ARGENTINA said state subsidies in developed countries have increased, stressed the need to eliminate trade barriers, and supported new trade negotiations. NORWAY contended fear over terrorism has affected multilateral trade. He highlighted the negative effect of falling consumption, and classified security as a GPG. The RUSSIAN FEDERATION emphasized that all countries should be able to join the WTO. ST. LUCIA stressed that support for unbridled liberalization is not the PrepCom's overall sentiment. She cited her country's experience with liberalization, which resulted in the closing of local industries and trade deficits, and called for special treatment for developing countries to enable them to compete in the world market.

CHILE opined that trade is an opportunity to eradicate poverty and called on countries to "just open your markets." CHINA said trade is an "engine of economic development" and supported liberalizing trade in agricultural products, lifting subsidies on textiles, and delinking environment and labor. BRAZIL questioned the exclusive interest in markets where developed countries have competitive advantages, and called for investing in other markets. He supported free markets and circulation of money. INDONESIA called for enhancing domestic capabilities to participate in trade and dropping trade barriers. MONGOLIA stated it is useless to speak about development without talking about trade, and underscored access issues and free markets. VENEZUELA advocated a new trade system that supports developing countries, pending outcomes of WTO discussions. ALGERIA prioritized creating conditions so developing countries gain from trade. He suggested consideration of differentiated treatments and poverty reduction strategies for more effective market access. VIETNAM said trade should assist developing countries, and supported democracy and participation. The US said political commitment for free trade in all countries should include greater focus on developing countries, remarked that free trade benefits consumers, supported trade liberalization at all levels, and cautioned against elaborating on WTO and IMF issues. MALAYSIA stressed trade-related intellectual property rights require reworking of development finance policies. UKRAINE and BELARUS highlighted regional cooperation in paragraph 21 and ensuring extended capabilities of countries with economies in transition (EITs). BELARUS also underscored alignment with the WTO. The REPUBLIC OF KOREA emphasized open and non-discriminatory policies and opposed uniform actions on trade liberalization of agricultural products. PERU advocated technical

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support, consistency in trade, and development linked with financial stability and investment. ECUADOR highlighted unfair practices, including subsidies and anti-dumping measures.

On behalf of SIDS and the Pacific Island Forum, FIJI said trade is the most important mechanism for expanding domestic savings, but noted the impracticality of one-size-fits-all solutions. INDIA supported breaking links between labor and environmental concerns in paragraph 19. PARAGUAY considered trade the most important tool of the FfD process, and called liberalization "illusory" unless developing countries receive assistance in sustaining domestic markets. SOUTH AFRICA supported intra-regional trade, and technical assistance and technology to create market access. PAKISTAN proposed a new trade round that would meet the needs of developing countries. COLOMBIA emphasized the amount of funding his country spent confronting internal conflict, and called for adding reference to peace. BANGLADESH suggested maximum trade benefits go to LDCs, and supported reference to measures for enhancing agricultural production. BOLIVIA suggested references to the link between debt and trade, and to the competitive disadvantages of landlocked developing countries. The DOMINICAN REPUBLIC requested that text on bilateral agreements and regional free trade zones be added to paragraph 20, and proposed text on internal reform efforts designed to stimulate export-focused economies. URUGUAY said the increased number of LDCs is related to ODA shortfalls, and emphasized there cannot be development without equitable and transparent trade.

COOPERATION AND DEBT: In section two's fourth (international financial cooperation) and fifth (debt) chapters, the G-77/CHINA proposed adding a reference in paragraph 25, on ODA goals, to directing 0.15-0.20 percent of agreed ODA targets to LDCs. He suggested doubling ODA, with binding commitments and a timetable. In paragraph 28, on partnerships to enhance aid effectiveness, he opposed reference to UNDP's coordination role. In paragraph 29, on multilateral institutions, he suggested references to eliminating conditionalities and general assistance to countries active in poverty eradication. He rejected categorizing developing countries in paragraph 30, on common-pool mechanisms for aid, and in paragraphs 31-33, on GPGs, he opposed specific examples and stressed additional resources. He supported dropping carbon taxes in paragraph 36, on multilateral development financing. In paragraphs 38 and 39, on HIPC, he supported debt cancellation and flexibility in eligibility criteria. In paragraph 41, on debt management, he proposed language on US-style bankruptcy codes, enhancing access to markets, avoiding cross-subsidization of relief and involving private creditors.

The EU supported ODA targets and halving poverty by 2015; emphasized partnerships, participation and domestic responsibilities; and proposed references to the African Initiative. In paragraphs 25-26, he called for meeting targets, and supported focusing on LDCs with good policies. In paragraph 28, he welcomed OECD dialogue. In paragraph 29, he stressed nationally owned development strategies, ODA priority to LDCs with sound policies and countries emerging from conflict, and untied ODA. In paragraph 30, he stressed capacity building. In paragraphs 32-33, he advocated conceptual discussions on GPGs. He specified references to managing economic and social development in paragraphs 37-38, and distinguished between low and middle-income countries. In paragraphs 39-40, he welcomed bilateral initiatives following HIPC implementation and assessment, highlighted adequate funding in the context of fair burden sharing, and called for clarification on differentiated responsibilities. In paragraph 41, he proposed case-by-case examinations of countries.

JAPAN recommended against ODA targets due to donors' tense financial situations. He emphasized private resources, which surpass ODA, and called for more effective approaches to debt. He rejected reference to the common pool. SWITZERLAND remarked that the common pool minimizes transaction costs and gives control to developing countries. He called ODA targets "a myth," and suggested directing funds toward GPGs. CUBA said donors must fulfill ODA targets and stressed the "inter-relationships" of issues. SOUTH AFRICA said the PrepCom must address sustainability rather than "sources of resources." He questioned whether it is sustainable to support debt servicing instead of health and social programs. VENEZUELA said FfD must produce additional resources. ST. VINCENT AND THE GRENADINES emphasized SIDS in paragraph 25. AZERBAIJAN proposed expanding ODA to developing countries and EITs and specifying a list of these countries in paragraph 25.

The US rejected ODA goals as conceptually flawed and stressed improving the effectiveness of ODA and shifting focus to corporate sources of finance. He said the main problem is not availability of funds but lack of appropriate places to invest them. He opposed listing ODA proposals and a reference to UNDP in paragraph 28, rejected common-pool resources in paragraph 30, and expressed reservation to GPGs in paragraph 31. In paragraph 39, he said HIPC efforts on economic reform and poverty reduction should be the main determinants of debt relief. BANGLADESH, on behalf of LDCs, supported, *inter alia*, monitoring debt management and consultation with LDCs to strengthen ODA impact. CANADA noted all actors have interest in effective use of ODA, and supported ownership and participation. In paragraph 27, he said that a global information campaign should not focus solely on developed countries. NORWAY supported limiting debt relief to HIPCs and linking criteria for ODA distribution to poverty reduction. KOREA called for gradual achievement of ODA goals and further elaboration of GPGs. MALAYSIA suggested a resource pool for strengthening infrastructure in developing countries, and formulating a working definition of GPGs. Recognizing the need for prudent debt management, MEXICO cautioned against denying financial aid to countries that do not meet debt relief conditions. CHINA called for making the 0.7 percent ODA target a strict international standard. He suggested limiting the definition of GPGs to areas of greatest concern in developing countries. BELARUS said ODA should go primarily to LDCs, and supported reference to EIT countries. GUYANA called for flexibility in debt relief conditions, and proposed discouraging the IMF, World Bank and regional banks from operating portfolios where repayments exceed disbursements. UGANDA supported common-pool mechanisms only for countries with sound macroeconomic policies and called for international help to Sub-Saharan countries in strengthening the private sector. MOROCCO proposed language in paragraph 39 noting that HIPC countries need surpluses to allocate to economic and social programs. UKRAINE proposed emphasizing low- and middle-income countries in paragraph 37.

PARTNERS AND STAKEHOLDERS: The WTO stressed links between FfD and the upcoming WTO round in Doha, Qatar. UNIDO underscored institutional capacity building for developing countries' ability to market products and adhere to international standards. UNCTAD acknowledged the loss of commodity markets for developing countries. The IMF supported policy surveillance programs and improved market access for LDC exports. He called for a new trade round, which could link the FfD and the WTO. On debt, he praised reconsideration of amounts needed to reach sustainable targets and examination of financing needs given new environments. He underscored that sustainable debt financing can mobilize resources. The WORLD BANK called for more ODA to meet Millennium Declaration goals; said ODA can only build on a solid domestic foundation; and noted links between debt and ODA. UNDP emphasized country-led coordination of ODA and long-term development goals. HABITAT stressed adequate shelter. Nine NGOs gave recommendations.

IN THE CORRIDORS

Rumor has it that some fireworks may be facilitated on Friday, with diplomats behind the scenes and on the floor wrangling over the next step toward revision of the Draft Outcome. Some delegates speculated that one country may have too much on its plate in terms of conference preparations. Others caucused over how much time should be spent on future PrepCom deliberations. They wondered: Would extra time provide an opening to dilute the process? On other fronts, observers expect an announcement that the much anticipated Doha discussions may be shifted outside the range of Al-Jazeera broadcasts. They note either the location or the network poses complexities for some ministerial presences…