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Points of interest to the Rio Group member countries in the context of the consultations on chapter III of the Monterrey Consensus: "International trade as an engine for development"

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In the view of the Rio Group member countries, trade is a growth engine for the developing countries and an item that is sustainable in the medium and long term. In view of the diversity of strategies adopted by the Group countries to deal with the phenomenon of globalization, we believe that broad and predictable access to developed country markets is a prerequisite for the developing countries to obtain the benefits of globalization. For this reason, the Doha Development Round must be concluded as soon as possible.

In recent years, the main economic indicators of the Rio Group member countries have, as a whole, been positive. According to the 2007 ECLAC report, it is estimated that the gross domestic product of the Latin American region increased by 5.6% in 2007 and, despite the current difficulties facing the international economy, growth of about 4.9% is forecast for 2008. If this is confirmed, it would mean a six-year period of continuous growth, so that the average GDP increase per inhabitant would be 3.5% a year or 24% over the period in question.

However, not all the Group countries have been able to derive the same benefits from the globalization phenomenon and these benefits have not reached all sectors of our societies equally.

According to ECLAC data for 2007, the factors that have enabled a significant number of countries in the region to achieve positive results in the economic sphere are related both to implementation of domestic policies and, undoubtedly, to outside factors and the international economic context.

The current account surplus (0.7%), related to the improvement in terms of trade (2.6%) and the increase in both the unit value and the volume of exports; the positive result of fiscal accounts; the reduction in unemployment and the increase in formal employment; the increase in international reserves, the reduction of the public debt as a percentage of GDP; the dynamism of investment, and also the increase in private consumption (7.7%) are all directly or indirectly linked with dynamic external sectors, which in turn are encouraged by international trends towards higher prices for the region's principal raw materials, including energy and minerals, as well as certain agricultural products.

In this regard, the Rio Group member countries continue to be convinced of the benefits afforded by integration and trading between Group members and with other countries and blocs outside the subregion. And, in this context, it is gratifying to note the increase in South-South trade and in foreign direct investment flows between South countries.

Proof of this firm support for openness in trading and cooperation arrangements is provided by the large number of bilateral and multilateral agreements in which the large majority of the Rio Group countries participate and which they are actively promoting, so as to enhance competitiveness and improve market access.



## Principal challenges

However, despite the “cautious optimism” that this situation may create, it is essential to acknowledge that there are challenges which we must face both individually and collectively, with appropriate support from the international community.

The principal challenges include the following:

### a. Maintaining current positive trends:

Because of the situation currently prevailing in the world economy, characterized by a downturn and even a possible economic recession in some of the principal trading partners of the Group members, an attempt must be made to find ways of ensuring that adjustments are as painless as possible. We thus appreciate the steps in this direction taken by some of our main trading partners and urge them to consider the consequences of their decisions for the developing countries.

The positive effect which the movements of international markets have had for most of the Rio Group members must be acknowledged. However, sustained and sustainable economic growth requires consolidation of the successes achieved through the improvement of terms of trade with higher levels of technology that allow progress in terms of adding value to production, developing capital-intensive sectors, promoting the services sector and substantially increasing our countries' competitiveness.

The strengthening of South-South trade is a positive factor. We therefore welcome the recent announcement in Accra concerning the continuation of negotiations for the Global System of Trade Preferences among Developing Countries (GSTP), which should conclude in November this year. This arrangement will allow improved market access among developing countries, on solid foundations and covering a broad spectrum of trade between those countries.

In addition, we must take advantage of the current context to encourage investment in infrastructure and in what undoubtedly represents the basic challenge for the Rio Group member countries: education and training of human capital. This would allow us to make better use of the opportunities provided by the globalization phenomenon, so that they can benefit all our societies. For this purpose, we must be able to continue to count on the strong support of the international community – bilateral, regional and multilateral – through the regional and multilateral financial institutions.

In this connection, the Group considers it important to promote efforts to encourage full and productive employment and decent work at the national level. One way to do this will be to use the ILO Practical Guide for the systematic incorporation of employment and decent work, approved by the United Nations system in May 2007.

We appreciate the work of the regional and subregional financial institutions and appeal to all the international financial institutions to organize collaboration arrangements suited to the needs of their clients. We particularly



appeal for the adoption of schemes suited to the needs of the middle-income countries, particularly aimed at strengthening the export sector of our economies.

The Group also welcomes the success of the Twelfth United Nations Conference on Trade and Development (UNCTAD XII) and endorses its results, particularly regarding the contributions that UNCTAD can make to enable the developing countries to achieve their goals concerning development, poverty elimination and well-being of their citizens and to face the opportunities and challenges created by globalization. We also endorse the appeal made to the international community in the Accra Agreement to continue its support for the efforts of the middle-income countries, including their commercial capacity-building.

In addition, progress must be made with arrangements to support productive actors and particularly small and medium-sized enterprises. In this connection, it is important to promote access to modern technology, especially information technologies. This will enhance competitiveness and opportunities for participating in both national and international markets.

**b. Ensuring that all benefit from globalization:**

It must be acknowledged that, although the phenomenon of globalization and the increase in international trade has produced benefits at the macro level, it has not been possible for their gains to be reflected in the same way in all countries or all strata of our societies.

Accordingly, at the national level, we in the Rio Group will continue to promote fair trade measures allowing the most vulnerable sectors of the population to benefit from trade.

In addition, the Rio Group member countries reaffirm the need to achieve a universal, regulated, open, non-discriminatory and equitable multilateral trade system that contributes to growth, sustainable development and employment creation in all sectors and emphasize that bilateral and regional trade agreements must promote the goals of the multilateral trade system.

We therefore urge all participants to make progress in the trade negotiations in the WTO Doha Round, with special emphasis on its development agenda, and at the same time recognize our own responsibility in this regard as active participants in the process. In this connection, the developed countries must improve access for agricultural products from the developing countries, decreasing domestic production subsidies, and thus help to alleviate one of the main causes of the food crisis affecting several developing countries.

The Rio Group countries recognize the need for balanced progress on all the items on the negotiating agenda, with regard to both agricultural and non-agricultural products, and with regard to services.

We also appeal for a reduction of non-tariff barriers, especially for products from the developing countries.

The Rio Group countries believe that the benefits of trade are enhanced by the establishment of and full compliance with rules agreed between the participating partners.



In this connection, we make a special appeal to our main trading partners to honour their liberalization commitments in all sectors and to respect the judgements of the established dispute settlement mechanisms, even when these are not favourable to them, despite the political pressures that may be exerted on them by various national production sectors.

In addition, we must as far as possible avoid unnecessary politicization of trade issues, which undermines the benefits of trading arrangements. The benefits of such arrangements for all participants must be recognized and the necessary measures taken to ensure that the sectors and regions affected by openness can adapt and deal with the new situation.

We therefore wish to reiterate the appeal to developed countries to increase their Official Development Assistance (ODA). In particular, the “Aid for Trade” initiative currently being promoted in WTO as part of the Doha agenda must be adequately financed, with additional funding. This aid will enable the developing countries to improve their physical infrastructure and build their technical capacity, so that they can be better integrated and take advantage of the opportunities afforded to them by trade.

### **c. The food crisis**

The topic of food security, and particularly the crisis provoked by the unprecedented increase in food prices, is a source of serious concern to the members of the Group.

The Rio Group member countries are concerned about the humanitarian and development risks posed by the existing situation, in which the gains in terms of well-being of the population, particularly the least fortunate sectors of our societies, are called into question.

We therefore believe that the international community must act in a coordinated manner to tackle the causes of the crisis and, with appropriate urgency, mitigate its consequences.

In this connection, we recognize the importance of the Secretary-General’s initiative to create a high-level Task Force on the Global Food Crisis, in order to study the causes of the crisis and propose solutions, particularly by establishing an action plan and coordinating its implementation. We also attach importance to the measures being implemented by other international bodies.

As far as trade is concerned, in the present situation it is especially necessary to make a forceful appeal for the successful conclusion of the Doha Round this year, in order to end all the farm subsidies that are distorting markets and mainly affecting the developing countries, as the Chief Executives Board recognized at its meeting on 29 April 2008.

Similarly, with full respect for national sovereignty and without prejudice to the ability of each country to decide on its own development strategy, and the best measures to protect its population, we believe that there is a need to



avoid national measures that can affect international food markets, exerting additional upward pressure on those markets.

Lastly, the Rio Group countries look forward to the results of the timely meeting convened by the President of the Economic and Social Council to deal with this important topic, which will be held on 20 May 2008. We also await the results of the High-Level Conference on the topic which FAO will hold from 3 to 5 June 2008, where we hope that this issue will be fully considered.

In this connection, in view of the development implications of this important issue, we share the view that it should be included in the review of the Monterrey Consensus, as an emerging challenge concerning financing for development. We therefore appeal to the Co-Facilitators to consider the outcome of the above-mentioned events in this process.