

# WORLD TRADE ORGANIZATION

RESTRICTED

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## Sub-Committee on Least-Developed Countries

### NOTE ON THE MEETING OF 29 OCTOBER 1998

Chair: Ambassador H.H. Bruun (Denmark)

#### A. ADOPTION OF AGENDA

1. The Sub-Committee adopted the agenda contained in WTO/AIR/939, with the addition, under "other business" of the date of the next meeting of the Sub-Committee.

#### B. FOLLOW-UP TO THE HIGH-LEVEL MEETING ON LEAST-DEVELOPED COUNTRIES

(i) *progress in the implementation of the Integrated Framework. Presentation by the Secretariat*

2. The Chairman, recalling the Report by the Director-General to the May 1998 Ministerial Meeting on the follow-up to the High-Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development and the progress report on the WTO follow-up to the High-Level Meeting (document WT/COMTD/W/45) proposed that the Sub-Committee hear an oral report by the Secretariat on WTO follow-up, which would give delegations further information and also provide an opportunity to ask questions.

3. He invited Ms Annet Blank of the Technical Cooperation Division to provide the Committee with an oral up-date in her capacity as focal point in the WTO for the Integrated Framework on Least-Developed Countries. Ms Blank's progress report has been circulated as WT/COMTD/LDC/W/12.

4. The representative of Bangladesh expressed his disappointment that since the High-Level Meeting, not much progress had been made in his country with the implementation of the Integrated Framework. His delegation was unclear about the shape and the location of the mechanism which would coordinate and drive activities under the Integrated Framework. The implementation of the Integrated Country Programme which had been launched jointly by UNCTAD and ITC almost at the same time as the Integrated Framework in 1997 also remained uncertain. As a follow-up to the High-Level Meeting, his delegation had requested assistance from WTO, UNCTAD and ITC in holding the country round-table in Dhaka at any time between November 1998 and March 1999. His delegation appreciated that technical assistance activities were being carried out by some of the six agencies on an autonomous basis in his country. Nevertheless, his delegation was disappointed that so far a coherent assistance programme did not seem to have evolved from the High-level Meeting.

5. The representative of Tanzania said that his delegation had not yet formally addressed the issue of a country-specific trade-sector donor meeting with the WTO Secretariat. However, his Government was in the process of coordinating internally in order to approach the donor community.

In the near future he would provide a notification from his Government indicating that it would be in a position to hold its national donor meeting at the end of 1998 or early in 1999.

6. The representative of Egypt asked how many Integrated Responses the six agencies had prepared to the 40 needs assessments prepared by least-developed countries (LDCs) so far.

7. The representative of the European Communities believed that the follow-up to the High-Level Meeting had been satisfactory in general. However, for certain issues, there might be room for speeding up the process or being more efficient. One such issue was the staffing of the Administrative Unit. Although staffing was under way, his delegation had difficulty understanding why, one year after the decision, there had not yet been full involvement of all the six agencies.

8. The representative of UNCTAD said that the Trade and Development Board, in the previous week, had reviewed progress in the implementation of the Programme of Action for LDCs. One of the issues addressed in that context had been the implementation of the Integrated Framework. Both LDCs and their development partners had emphasized the importance of effective implementation of the Integrated Framework. The Trade and Development Board had expressed concern with the slow pace of implementation and had emphasized the need for the agencies involved to enhance and improve coordination and coherence so as to accelerate the pace of implementation.

9. The representative of the WTO Secretariat said that it had taken serious note of the expression of disappointment by the representative of Bangladesh. The Secretariat was aware of the intention of Bangladesh to organize a trade-sector donor meeting before March 1999, and had replied to the request. She was pleased to hear that Tanzania would, in the near future, officially express its intention to organize a trade-sector donor consultation at the end of 1998 or beginning of 1999. In reply to the question posed by the delegation of Egypt, she said that the six Agencies had prepared 39 Integrated Responses to the 40 needs assessments prepared by the LDCs. The needs assessment prepared by Myanmar had just reached the six Agencies and they would draw up their joint Integrated Response in the weeks to come. She was pleased to note that the delegation of the European Communities was in general satisfied with the follow-up action to the High-Level Meeting although in some areas more progress was wished for. The Administrative Unit had only been established in 1998. While it was true that all six agencies had not yet formally pledged their contributions to the running of the Administrative Unit, progress had been made since its inception. The ITC, UNCTAD, WTO and the World Bank were contributing to the Administrative Unit, while IMF and UNDP were still considering how best to contribute.

10. The representative of Bangladesh said that his delegation was not generally disappointed with the follow-up to the High-Level Meeting. His delegation was highly satisfied with the implementation in certain areas, and with the cooperation and the sympathy it had received from the WTO Secretariat. However, his delegation had specifically asked for assistance from WTO or UNCTAD/ITC in organizing a trade-sector donor meeting. The response from the WTO Secretariat had been disappointing in the sense that it said that the WTO Secretariat was not in a position to assist Bangladesh in financing a consultant to collate and prepare a document for that meeting which would synthesise elements of all the related programme papers which had come from various agencies. The WTO Secretariat had mentioned in its reply that the letter with the request was being sent to the other agencies for possible assistance. Such assistance had unfortunately still not come.

11. The Chairman said that some delegations had expressed constructive impatience, implying that while delegations were generally pleased with what was being done, they wished to see it happen even more quickly and more efficiently. He was certain that everything was being done to get the Administrative Unit together in the best possible manner. In the interventions, he had detected gratitude to Ms Blank for the information given and for the work done. Against that background he suggested that the Secretariat circulate its progress report as an official WTO document.

(ii) *Role of the World Bank, address by a representative of the World Bank*

12. The Chairman noted that delegations appreciated that the High-Level Meeting and its follow-up required a large amount of cooperation between the six agencies most closely involved in the process and had reacted positively to the idea of inviting, from time to time, as appropriate, representatives of these agencies to make statements on progress in implementing the Integrated Framework. At the last meeting Mr. Denis Bélisle, Executive Director of the International Trade Centre (ITC), and his colleague Mr. Martin Dagata had been invited to present ITC's role and activities in the Integrated Framework process. In addition, Mr. Francesco Geoffroy of the Administrative Unit had made a presentation of a draft version of the Integrated Framework Web-site containing information about the follow-up activities under the Integrated Framework. For this meeting, he had taken the initiative to invite Ms Gloria Bartoli, the focal point of the World Bank for the Integrated Framework. Ms Bartoli was Ms Blank's counterpart at the World Bank and responsible for the coordinating the World Bank's activities in the follow-up.

13. The statement made by Ms Bartoli is annexed to this report.

14. The representative of Haiti said that he had been trying to understand how trade could serve as a vehicle for development. As far as he understood, it could well be the other way around: development could be the vehicle for trade. He also said that the support offered by the World Bank, such as the support related to: telecommunications, electricity, export promotion, training, capacity building and management policy seemed to be important for development and prepare for trade. He wondered whether it was conceivable that the International Finance Corporation (IFC), which would be implicated in a "showcase event" involving the private sector during the trade-sector donor consultation in Haiti, could also assist the Government in addressing issues from the point of view of the public sector.

15. The delegation of Bangladesh referred to the Report of the Managing Director of the IMF, the President of the World Bank and the Director-General of the World Trade Organization on Coherence.<sup>1</sup> It updated the current situation with regard to cooperation on coherence between the IMF, the World Bank and the WTO. Coherence and coordination were important subjects which had been discussed at the High-Level Meeting. It was stated in the document that the High-Level Working Group on Coherence, in existence since 1995, gave opportunities for joint activities in relation to balance-of-payments restrictions, trade-policy reviews, accessions and regional trade agreements among others. The three agencies also recognized that human and institutional capacity building, particularly in the LDCs, was necessary. He was concerned with the report's mention of market access. While he did not object to the report's mentioning market access needs of developing countries and countries in transition, it was disappointing that LDCs had not been mentioned as a distinct economic group needing special help. At the High-Level Meeting, market access for LDCs had been recognized as the central item in the activities to be undertaken for the benefit of the LDCs. He expressed concern that the Report, by not mentioning the LDCs as a distinct group, could shift the focus of the international community away from the specific problems of the LDCs.

16. The representative of Switzerland said that the participation of the World Bank in the Integrated Framework was crucial. Ms Bartoli had mentioned that the word integrated programme. His delegation saw a substantial difference between the two as his delegation understood the Integrated Framework to be an institutional set-up and a mechanism for coordination rather than a programme of technical assistance. The Integrated Framework should help coordination of programmes undertaken by different institutions, jointly or separately, within a coordinated structure. He wished to know how the World Bank saw its contribution to such coordination in practice. Ms Bartoli had mentioned that there were consultative group meetings on trade-related technical

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<sup>1</sup> General Council document WT/GC/13, dated 19 October 1998.

assistance organized by the World Bank. He asked if Ms Bartoli could explain how those related to the work of the other institutions such as ITC, UNCTAD and the WTO.

17. The representative of the World Bank said that the issue of how trade can function as a tool for development could be the subject of a university course, several articles and books. It should also be a theme for some of the training organized under the multi-year programme as well as discussions among the different parts of national administrations, as it was important that national administrations had a clear idea about how trade could function as a tool for development. It would be useful if, in the country-specific multi-year programme for trade-related technical assistance foreseen by the Integrated Framework, there could be a part relating to discussions on trade policy, from which knowledge about the WTO Agreements could be derived. Over the last thirty years, it might have been expected that countries with lower per capita incomes at the beginning of the period would grow more rapidly than other countries towards a convergence in per capita income. That development had unfortunately only taken place for a sub-set of countries, the poorer countries of the OECD and the newly industrialized countries of south Asia, which had grown more rapidly than the richer countries of the OECD. The contrary was true for the world's poorest countries and the "wedge" had increased. Those two sets of countries had different characteristics. One was the difference in the openness of their systems. Other minor elements which were not as homogeneously present were the strength of the educational system and the availability of human resources. However, human resources were of less statistical significance, while the openness of the trading system was highly significant. The poorest OECD countries and the newly industrialized countries of south Asia had opened their trade regimes significantly by reducing tariffs and non-tariff measures. Much documentation on that subject was available, including on the Internet home page of the World Bank. The news learned from statistical evidence and historical experience was that it was not so much the structure of a country that made it remain at low levels of growth and per capita incomes, but rather its policies. Even if it was difficult to change policies, it was possible.

18. She continued by saying that some parts of IFC, like the Foreign Investment Advisory Service (FIAS), did not deal exclusively with the private sector. She would bring the suggestion of the delegation of Haiti to them and they should be able to assist in the process. The representative of Switzerland was right to underline the different meaning of framework and programme. When the World Bank referred specifically to the Integrated Framework, the word Integrated Framework was used. Regarding consultative group meetings or round-tables, she said that paragraph 5(e) of the Integrated Framework said that where possible, the Roundtable meetings would be included in the World Bank Consultative Group Meetings and in the UNDP Round Tables.<sup>2</sup> In cases where that was not possible, some other form of donor consultation should be arranged. Other multilateral agencies could be invited to any kind of donor meeting upon the initiative of the least-developed country (LDC).

19. The representative of Egypt said that, since the previous session of the Sub-Committee, his delegation had notified to WTO, UNCTAD and ITC Egypt's offer on further market access and trade opportunities for LDCs. The offer had been announced during the High-Level Meeting in October 1997. Details of the offer were transmitted in document WT/COMTD/47 and referred to in paragraph eleven of Secretariat note WT/COMTD/LDC/W/11 which would be discussed under item C of that day's agenda. The lists of all products that would enjoy tariff reductions or duty-free access under the Egyptian offer were also notified; UNCTAD was currently in the process of translating the lists of products from Arabic and as soon as they had been translated, they would be transmitted to all Members.

20. The representative of Haiti said that when countries offer increased market access for products originating in LDCs, there were often complaints that the LDCs did not take advantage of the opportunities offered. The response of Ms Bartoli was valid for developing countries. Countries

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<sup>2</sup> WT/LDC/HL/1/Rev.1

in the process of development could benefit from trade to further their development. However, for LDCs, the problem was different. There was too much emphasis on market access for LDC products when the LDCs did not have the infrastructure, electricity, telecommunications, human resources, ports etc. necessary to benefit from market access opportunities offered. He considered it most important for his country to build up the capacity to produce. It was only when a country could sell and buy goods and services internationally that it could be involved in international trade. As long as a country did not have the minimum to offer, nor the minimum resources to buy, it could not be part of the multilateral trading system.

21. The representative of the World Bank said that she agreed with the representative of Haiti that the building up of infrastructure and domestic trade institutions was important. However, the trade policy of the country also mattered, according to the last thirty years of experience.

22. The representative of the WTO Secretariat said that the existence of supply side constraints which made it impossible for LDCs to benefit immediately from increased market access opportunities was one of the reasons for the Integrated Framework for Trade-Related Technical Assistance, which is intended to address such supply-side constraints. The aim of the Integrated Framework was to help LDCs benefit from export-generated growth.

23. The Chairman said that paragraph 21 of the General Council document WT/GC/13 on Coherence, mentioned by the representative of Bangladesh, made direct reference to the Integrated Framework in that the High-Level Meeting had endorsed the Integrated Framework for Trade-Related Technical Assistance for LDCs and placed special emphasis on human and institutional capacity building, and on increased efficiency in the provision of technical assistance to this end by the international institutions. However, the discussion on that paper should take place in another forum.

24. The representative of Bangladesh said that he had referred to paragraph 22 of that document which related to market access and in which there was no specific reference to LDCs. His delegation wished to see LDCs treated as a distinctive, special-needs group of countries.

25. The Chairman said that the presentation made by Ms Bartoli and the resulting discussion had shown the usefulness of inviting representatives of the six agencies most closely involved in the Integrated Framework. The Sub-Committee would continue to invite, as appropriate, representatives of those organizations. The possibility to invite a representative of UNCTAD to the next meeting of the Sub-Committee would be explored.

26. The Sub-Committee took note of the statements made.

### C. MARKET ACCESS

27. The Chairman recalled that the Secretariat had prepared a detailed study on market access, which had focused primarily on tariffs, in preparation for last year's High-Level Meeting (WT/LDC/HL/14 and Add.1). At its last meeting, the Sub-Committee had therefore requested the Secretariat to prepare a simplified paper as background for its discussion on market access problems of LDCs. In response to this request, a paper entitled "Market Access for Exports of Goods and Services of the Least-Developed Countries: Barriers and Constraints" had been circulated as document WT/COMTD/LDC/W/11. The new paper updated and expanded the old one by including information on improvements in market access notified since the High-Level Meeting, including information stemming from answers presented by LDCs to the questionnaire used in the Integrated Framework process, and a discussion of services issues. The new paper also took a general

approach to market access issues rather than a country specific approach and it considered the possibilities of access in emerging markets. At the end of the paper, there were a number of constructive suggestions concerning possible ways of addressing the difficulties noted in the paper, particularly on the demand side. Among those was a reference to the Director-General's suggestion that WTO Members, in preparing the third Ministerial Conference, should consider including the objective of eliminating all tariff barriers on products of export interest to the LDCs as a matter of implementing on a priority basis in future WTO negotiations. While the list of suggestions could no doubt be refined he hoped that delegations, in commenting on the paper would also comment on those points in order to help the Sub-Committee see to what extent they could be useful in the its future work. Since the paper had only recently been circulated, some delegations might not had had time to study it thoroughly, he therefore invited preliminary comments. The item would be kept on the agenda for the following meeting of the Sub-Committee.

28. The representative of Tanzania thanked the Members who had submitted notifications of their market access offers for LDC exports they had announced during the High-Level Meeting. Paragraph 3 of the Market Access Paper mentioned conditions necessary for LDCs' effective use of market access opportunities. The fourth condition related to the importance of LDCs' active participation in the multilateral trade policy processes. He regarded this more as a result of the lack of capacity of the LDCs. The paucity of LDC representation in Geneva, both in terms of the number of missions and the number of officers in existing missions was evidence that LDCs were unable to meet the costs of effective representation. It was difficult to distinguish the result from the cause. He appreciated the linkage in the paper of market access to supply-side constraints. The adverse use by some Members of the Agreements on Sanitary and Phytosanitary Measures and Technical Barriers to Trade had adverse effects on the market access of LDCs. This should have been emphasized in paragraph 3. Other issues which should have been brought out more emphatically as they effected the trading capacity of LDCs included debt, transfer of technology and low levels of foreign direct investment, which all affected the capacity of the LDCs to become viable trading partners. Paragraph 27 mentioned the need for sound and stable macroeconomic and microeconomic policies by LDCs. Most LDCs had undertaken as may reforms as they could in those areas. However, the external environment had not been particularly conducive to enable the reforms to bear results. For fairness and balance, the focus should not only have been on sound and stable macroeconomic and microeconomic policies by LDCs, but a mention of the adverse effects of the external environment should also have been made. For example, the volatility of commodity prices and exchange rates were external factors which the LDCs could not control, but which impinged on their capacity independently of their internal reforms.

29. The representative of Turkey said that, on the fourth page of the Secretariat note on Market Access, it was stated that market access barriers, as indicated by LDCs themselves, were frequently similar to stated obstacles to trade expansion and that that relationship raised questions as to whether the principal difficulties for LDCs were ones of access or supply. In order to answer those questions, the Sub-Committee should reflect on each item in detail. However, his delegation believed that the number of Members taking new or additional preferential market access measures in favour of LDCs was an essential issue and that an increase in that number would provide a constructive basis for the Sub-Committee's ongoing work. Unfortunately, his delegation understood from the Secretariat note that only a small number of Members had made such notifications. His delegation hoped that the other Members would take the necessary steps to facilitate the work of the Sub-Committee and to achieve its main goal, which was the successful integration of the LDC economies in international trade.

30. The representative of the European Communities said that some of the arguments in the Secretariat note on Market Access were well known whereas others were new. His delegation saw a problem of balance between the analytical part of the paper and the conclusions drawn. In general, the conclusions did not fully reflect the two sides; the supply-side problems on the one hand and the

market access issue on the other. His delegation recognized the linkage between the two, but also felt that it was useful to keep the distinction. There were differences in the instruments used for addressing the issues, raising the question of how to tackle the problems. There were differences between the actors as well, raising the question of who is responsible for addressing the issues. If they were linked too closely, one would lose sight of the fact that there were differences in finding the necessary remedies, especially with regard to the actors. His delegation congratulated the delegations of Egypt and Turkey, which had notified a number of measures taken by their governments to increase market opportunities for the LDCs. His delegation also noted that the governments of Canada and Switzerland had done the same and his delegation considered those to be indications that the programme was moving ahead and that there was actual progress. He stressed that the European Communities were open to exports from the LDCs as 99 per cent, on a value basis, of LDC exports could enter the European Communities duty-free. His delegation hoped that this would be matched, not only by Switzerland, but also by all other major Members in the near future.

31. The delegation of Japan said that the LDCs were those that were least integrated into the current globalized world economy, as well as still being faced with the threat of marginalization. That was the reason for his governments particular concern with the LDCs. He drew the Sub-Committee's attention to the Market Access paper prepared for the High-Level Meeting (WT/LDC/HL/14 and Add.1). In paragraph four of that paper, the Secretariat made a survey of the 23 main export markets of the LDCs which accounted for about 95 per cent of total LDC exports in 1995. According to that survey, the overall weighted average applied tariff rate facing the LDCs main exports in the 23 main export markets was 10.6 per cent. In the developed country markets, that tariff average was 1.8 per cent, while in the developing countries, it was 14.5 per cent. The developing countries tariffs on LDC exports were eight times higher than that of those of the developed countries. Following that analysis, paragraph 17 on non-tariff measures stated that such measures existed not only in developed markets but also in developing country markets. Frequency ratio analysis had shown that that LDCs exports had a 6.2 per cent probability of non-tariff measure restriction in developed markets in contrast to a 16.5 per cent probability in developing countries.<sup>3</sup> Another point worth noting was paragraph 43(c) which stated that several emerging markets were strengthening domestic anti-dumping and safeguard mechanisms to take account of any de-stabilizing surge of imports from economies with depreciated or devalued currencies. Those points were of interests for a discussion at a later stage. His delegation was of the view that, based on the Secretariat analysis, South-South trade was important. More specifically, as there was substantial demand for LDC products in developing countries, market access problems of developing countries should also be looked at from the point of view of export promotion of LDC products. In that regard, capacity building was important for the LDCs ability to generate exports. Promotion of investment was vital as well.

32. The representative of Japan called attention to the second Tokyo International Conference on African Development (Ticad II), held in Tokyo the previous week, jointly organized by the United Nations, the Global Coalition for Africa, and the Government of Japan. During that Conference, the Government of Japan had announced the following: "...the critical role of the private sector must be recognized for African development. In order to foster the growth of the private sector in Africa, particularly through the promotion of trade with and investment from Asia, Japan will assist in establishing an "African Investment Information Service Centre" in an Asian country. In addition, we will support the organizing of an "Asia-Africa Business Forum" within the next year in order to help explore business opportunities for Asian and African enterprises. We welcome also the idea expressed by the private sector in the preparatory process of the Ticad II to designate the year 2000 as the "Year for Small- and Medium-Sized Business in Africa". In carrying out these objectives, Japan wishes to collaborate closely with international organizations and other Asian countries, as well as with African countries".

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<sup>3</sup>WT/LDC/HL/14.

33. The representative of Bangladesh said that he agreed with the representative of Japan that LDCs were the least integrated into the multilateral trading system and faced the threat of the fastest marginalization. That was the crux discussed in the Sub-Committee and in other forums. Paragraph 17 of the Secretariat document on market access, which related to the higher barriers faced by LDCs in the markets of higher income developing countries, needed further examination. It was time for the international community to give LDCs separate treatment. The matrix in Annex 1 of the market access document gave a useful description of the position with regard to LDCs exports of goods and services and the barriers they faced to market access and trade expansion. The document could strengthen the international community's understanding of the issue of market access and assist it in formulating its assistance strategies. The document should also be a guideline for those in the developed and developing countries who wished to give technical assistance to the LDCs.

34. The representative of Canada said that her comments related both to document WT/COMTD/LDC/W/10 on implementation and WT/COMTD/LDC/W/11 on market access. Her delegation encouraged the Secretariat to work from both the perspectives of market access and the perspective of the supply-side, as had been done in the latter document. Her delegation agreed with the principal conclusions of the market access paper: that elimination of market access restrictions, including tariff and non-tariff measures; resolution of domestic supply-side and capacity inadequacies that prevent the utilisation of market access opportunities; and consistent pursuit of domestic policy reforms by LDCs, all required attention. Her government had completed the consultation stage of its proposed program of preferential market access for LDCs. However, her delegation recognized that market access was not the only solution, and that especially for LDCs, capacity building remained crucial.

35. The representative of Switzerland said that his delegation agreed with the European Communities that the conclusions did not contain a balance of all aspects discussed in the paper. Other possible conclusions could be discussed at further meetings.

36. The representative of Sudan asked the delegation of Egypt for information on progress in preparing for the seminar, proposed in 1997, for the LDCs in the process of accession to the WTO.

37. The representative of Egypt said that the approval of the President of the package as a whole had to be awaited as it had significant financial implications. The issue had been informally discussed with the Secretariats of UNCTAD and WTO and those discussions would be pursued. His delegation hoped that the seminar could be convened at the earliest possible date. The seminar might contribute to the ongoing accession negotiations by the LDCs.

38. The representative of Uganda concurred with the comments made by the representative of Tanzania, and drew the attention of the Sub-Committee to paragraph 7 of the paper on Market Access. He thanked the Members that had notified market access offers. A year had gone since the High-Level Meeting and a number of Members had yet to react to the concerns of the LDCs. His delegation appealed to them to do so. The linkage between market access problems and supply constraints could not be over emphasized. The problem was not one of market access, it was one of supply constraints. His country had problems with physical infrastructure and human resource development; unless those problems were resolved, market access opportunities would not be useful. Moreover, it was not possible to speak about issues of market access, supply constraints or the multilateral trading system without relating them to other problems such as the debt overhang of LDCs. In paragraph 15, it was argued that tariff escalation was not yet a major problem to LDCs. However, he believed that tariff escalation was a problem. A country like Uganda, which basically depended on the export of coffee, had no choice but to export non-refined coffee beans in order to escape the otherwise high tariffs exports would face. That problem should therefore be addressed in the future.



39. The representative of Nepal said that the update on the follow-up to the High-Level Meeting was encouraging for two reasons. First, it was a recognition by the international community of the special needs of the LDCs in the emerging liberalized global trading system. Secondly, it was a recognition of the need for the system to bring and sustain all actors within the framework of the WTO. The follow-up work was crucial in that context. In the process of the follow-up work, his delegation had consistently raised two issues: first, the need for follow-up meetings at the country level as an important element in bringing about concrete results for the LDCs, second, to analyze the specific implications of these new market access offers for specific LDCs as well as on the LDCs collectively, considering the most important export items of the LDCs. Finally, his delegation was also interested in the accession seminar to be organized by Egypt.

40. The representative of UNCTAD said that, in endorsing the Integrated Framework, the sixteenth executive session of the Trade and Development Board had recommended the UNCTAD Secretariat to convene a meeting on the Generalized System of Preferences (GSP), the Generalized System of Trade Preferences among Developing Countries (GSTP) and new initiatives. The aim of the meeting was to provide officials from UNCTAD Member States with an opportunity to discuss developments in their national GSP schemes, including a review of special provisions in favour of the LDCs, and to propose measures to extend advisory services to enhance the utilisation of the GSP and follow-up on measures announced at the High-Level Meeting. That expert meeting, held on 16 and 17 July 1998, had considered the follow up to announcements of new LDC preferences made at the High-Level Meeting; the implications for trade and development of recent trends in GSP schemes and new initiatives; and ways and means of enhancing the utilisation of preferences, in particular by LDCs, through technical cooperation. The outcome of that ad-hoc meeting had been made available to the Commission on Trade in Goods and Services and Commodities at its third session held from 28 September to 2 October 1998. The Commission had also considered ways and means of enhancing the utilisation of trade preferences by developing countries, in particular LDCs, as well as further ways of expanding such preferences. The agreed conclusions and recommendations adopted by the Commission emphasized the continued relevance of the GSP and other trade preferences as tools for development, in particular for LDCs. It called for practical action to be taken to ensure that a greater number of beneficiaries could utilise GSP advantages more effectively. Such action could include extension of product coverage, harmonization and simplification of rules of origin, and enhancing the stability, predicability and simplicity of GSP schemes.

41. The representative of Brazil said that the note on market access had not only captured the complexity associated with supply constraints and market access barriers, but also the difficulties brought about by the current financial crisis, as stated in Part Seven containing an interesting discussion on opportunities in emerging markets for LDC exports of goods. That topic should be the focus of a discussion at a future session of the Sub-Committee.

42. The representative of Burundi said that she would speak about the suffering of the economy and population of Burundi following the blockade imposed on Burundi two years ago. The case of Burundi was a special case. The troubles facing her country were not only political but also economic as they had economic and social implications. A political act should not condemn a population to poverty for an indefinite time. If there was an evolution, it should be recognized in order to permit the population to breathe. The effect of the blockade imposed on her country, was that Burundi could not develop overall, or develop its trade.

43. The representative of Tanzania, replying to the intervention by Burundi, said that without going into polemics, it was the belief of his delegation that the Sub-Committee on LDCs was not the relevant place to bring up the matter. The Burundi issue was a highly complex political socio-economic problem, which, if taken up by the Sub-Committee would divert its attention from its real mandate. Countries in the sub-region of southern and eastern African countries, of which Tanzania was a member, had taken the action as a last resort to try to bring the warring parties in

Burundi to the negotiating table and agree on a permanent solution to their problems, after other attempts had failed to do so. It was achieving the intended results in the sense that it had helped to bring the parties to negotiate. His delegation hoped that a lasting solution would be achieved as a result of present negotiations.

44. The Chairman said that although the Sub-Committee had a fairly wide remit, it was not the right forum to conduct discussions on that particular issue.

45. The delegation of Burundi said that it was important to stress all the aspects of trade. If Burundi did not have access to the world markets any longer, it was legitimate to highlight what stopped it from promoting its economy. It might not be the right forum, but Burundi did not belong to the poorest countries of the world because it made no efforts - Burundi was doing its utmost. It was not either because the sub-region wanted to resolve the political problems of Burundi that the economical problems of Burundi could be neglected. If the Sub-Committee discussed market access, her delegation had the right to pose the question. Trade was not possible if one could not leave its country, trade could not exist if no goods could enter the country.

46. The Chairman said that the preliminary discussion on the market access paper showed that the paper was useful and could serve as a basis for future discussions in the Sub-Committee. A number of points had been highlighted, some relating to the demand side and others to the supply side. One point raised in a number of interventions was the issue of actual offers of increased market access. It should be recognized that the satisfaction with which the Sub-Committee greeted such announcements constituted a good basis for appealing to other delegations that had not yet made such offers to try to bring themselves to a point where that might be possible.

47. The Sub-Committee took note of the statements made and decided to keep the item on the agenda for its next meeting.

#### **D. DIFFICULTIES FACED BY LEAST-DEVELOPED COUNTRIES IN IMPLEMENTING WTO AGREEMENTS**

48. The Chairman said that at the last meeting of the Sub-Committee, the Secretariat had been requested to prepare a paper which could help the Sub-Committee to assess the difficulties the LDCs faced with regard to implementation and the appropriateness of the current response. Document WT/COMTD/W/LDC/10 aimed at meeting that request. As main source of information on this subject the Secretariat had used the needs assessments for trade-related technical assistance that had been prepared by 39 LDCs under the Integrated Framework. Information had also been collected from LDC Members' replies to a questionnaire on priorities that should be assigned to WTO technical assistance which had been sent in May 1996 by the Chairman of the Committee on Trade and Development. Notifications, records of Committee meetings and TPR reports, Secretariat experience gained in the course of technical cooperation activities in LDCs, and statements by LDC Ministers at the Ministerial Conference in May 1998 had been used as additional sources of information.

49. The representative of Norway said that his comments related mainly to the paper on implementation but that he had some comments on the paper on market access as the two issues were inter-linked. The paper on implementation gave a good overview of difficulties faced by LDCs in implementing WTO Agreements. His delegation appreciated that the document did not list all the different difficulties encountered by LDCs, but rather provided further insights and comments and drew on specific examples. In the previously discussed document on market access, the Secretariat had reported that LDCs' share of global merchandise trade had further declined from approximately 0.8 per cent in 1980 to 0.46 per cent in 1995 and that their share of trade in services had dropped from

0.26 per cent in 1980 to 0.12 per cent in 1996. The figures clearly indicated that further efforts were needed in order to better integrate the LDCs in the world economy. Special and differential treatment provisions included in WTO Agreements had thus not yet had the desired effects. LDCs' market access was determined by tariff and non-tariff barriers in foreign markets as well as domestic supply side and policy constraints. As indicated in the Secretariat's report, these barriers were interconnected. Integration of LDCs into the world economy could not succeed unless both categories of hindrances were overcome. That required not only implementation of a multilateral trading framework conducive to LDCs, but also of domestic policy reforms and development of adequate infrastructure complemented by targeted, coordinated and sufficient technical assistance. Some Members provided liberal market access for LDCs under their present GSP regimes, others had recently notified extensions of preferences for imports from LDCs. His delegation was encouraged by those signs of improved market access, but noted that further efforts were needed.

50. The difficulties identified in the Secretariat document on implementation covered a wide range of problems, some directly linked to the implementation of WTO Agreements and others of a more general nature such as the need for better coordination within LDCs, difficulties experienced in creating the necessary domestic institutional and administrative framework, required adaptation of domestic legislation and lack of trained officials. Assistance was needed in order for LDCs to meet WTO notification requirements, establish modern data processing facilities and implement necessary policy changes. Due to the magnitude and complexity of the identified problems, technical assistance granted through the WTO was not a sufficient response. Coordinated and well integrated efforts by the WTO, other international organizations, bilateral donors, NGOs and the private sector were necessary. The report demonstrated that the establishment of the Integrated Framework for Trade-Related Technical Assistance for LDCs had been a step in the right direction in order to better coordinate and focus the technical assistance of the six organizations involved, based on actual trade development needs identified by the LDCs themselves. His delegation was looking forward to hearing the LDCs' own assessment of the present situation and their recommendations regarding which further efforts and improvements were needed in future.

51. The representative of the United States said his delegation looked forward to further discussions of both the paper on market access and that on implementation. He noted that the paper on implementation described a number of implementation difficulties identified by LDCs, and technical assistance provided by the Secretariat in response. It was clear that the Secretariat was making an effort to be responsive to the needs of the LDCs. Difficulties had been identified in several areas in which new, individual, technical assistance programmes were being developed, particularly customs valuation and intellectual property protection. His delegation urged the LDCs to take full advantage of that technical assistance.

52. The representative of Japan said that his delegation believed that the integration of the LDCs into the international trading system was related to whether the LDC actually felt the benefit of participating in the multilateral trading system. The Secretariat note was a good basis for a discussion on that issue as it clarified the issues and provided a key for addressing it. His delegation noted that the LDCs had difficulty implementing the WTO Agreements, institutionally, technically and from the perspective of human capacities. His delegation wished to extend technical assistance in certain areas in which LDCs had particular difficulties, such as related to the Agreement on Trade-Related Aspects of Intellectual Property Rights and in the area of customs valuation. In order for developing countries to abide by transitional periods, technical assistance had an important role to play. Customs valuation was mentioned as an area creating difficulties for LDCs. His delegation believed that that was an area in which technical assistance had been effective for improving the implementation of the Agreement. His Government considered extending technical assistance if there were requests from developing countries.

53. The representative of Bangladesh said that, like the paper on market access, the paper on implementation provided an objective picture of the current situation with regard to the difficulties LDCs faced in implementing WTO Agreements. The General Council was currently discussing implementation with a view to contributing inputs to the Agenda of the 1999 Ministerial Conference. Implementation had been identified by developing countries as a principal item for review in the run-up to the 1999 Ministerial Conference. His delegation recommended that the document be placed before the General Council as an input from the Sub-Committee on LDCs to the General Council's work on implementation. He stressed that, for a programme of assistance to LDCs to be meaningful, the international community would have to seriously consider debt cancellation and expanded ODA. Technical assistance, important as it was, would not go far in addressing the question of under-development.

54. The representative of the European Communities said that his delegation was aware of the particular difficulties of the LDCs, particularly related to an inadequate institutional framework which in turn affected the capacity to apply trade-defence instruments, adequately train officials dealing with WTO matters, or implement or prepare legislation relevant to trade. It was clear that assistance and other means would be needed to address those problems. He wished to assure the LDCs that the European Communities would play its full part in the future discussion and in looking for the right remedies. His delegation was reflecting internally on what additional measures could be taken to support the LDCs. Part I of the paper enumerated the issues at stake while part II mentioned the instruments currently used. An assessment of exactly how those instruments worked and how they related to the various points identified would be useful, rather than putting them side-by-side in one document. However, such an approach required additional work, and could be discussed within the Sub-Committee.

55. The representative of Tanzania said that the document on implementation would be useful in the ongoing informal inter-sessional discussions of the General Council on implementation problems. His delegation shared the view of the delegation of Bangladesh on the issue of debt cancellation and increased ODA as issues that would help LDCs overcome their problems. At the last informal meeting of the General Council, his delegation had made a statement on the problems of implementation faced by LDCs. Among the problems then mentioned was the issue of the negative effects of the implementation of the WTO Agreements. Those negative aspects had not been visible during the multilateral trade negotiations. However, after four years of experience his Government had noted that implementation of the WTO Agreements created certain problems for the LDCs. The Sub-Committee should consider that issue and try to come up with adequate solutions to it. The Secretariat note showed the difficulties faced by the LDCs themselves in implementing the WTO Agreements without mentioning the other factors which caused problems for LDCs, but which LDCs could not influence. One of those were, as earlier noted, the mis-implementation of the WTO Agreements, particularly in the areas of sanitary and phytosanitary measures and technical barriers to trade. Some WTO Members, either knowingly or otherwise, had taken action which took advantage of the LDCs' low capacity to understand the measures that affected them.

56. The representative of Egypt said that the Secretariat note had as its exclusive focus the difficulties faced at the national level, without considering the difficulties that might arise from the provisions of the various agreements themselves. The note therefore left much to be desired. The note could also have treated the additional measures that might be required to address the difficulties faced by LDCs as mentioned by the representative of the European Communities. The representative of Japan had indicated that it was aware of the institutional, technical and human resource development requirements of LDCs. His delegation was of the view that financial assistance as well as consideration of the debt issue would be necessary to address some of those difficulties. UNCTAD's annual report on LDCs addressed some of the difficulties facing LDCs in the area of trade. Despite the importance of technical assistance, it was not enough. The assistance mentioned by the representatives of the United States and Japan in the areas of Customs Valuation and TRIPs

was welcome. However, financing was sometimes lacking to address difficulties in areas where technical assistance was really required whereas financing was available in areas which were of importance to developed countries, for example, in the area of intellectual property rights.

57. The representative of Egypt continued by saying that one issue that his delegation had hoped that the Secretariat note would treat was the issue of the level of burden on the LDCs stemming from the WTO obligations. That was an important issue which should be addressed in order to examine whether there were obligations which were unnecessarily burdensome on LDCs and in that case could benefit from accommodation in terms of special and differential treatment or additional consideration in the WTO. It had been indicated in several committees that some notification requirements, for example, were rather burdensome on the LDCs and could benefit from some degree of flexibility. A second issue, on which he hoped further work would be forthcoming, was whether the response had been adequate or comparative to the level of needs, and what could be done in terms of additional measures to address the difficulties facing LDCs, both at the national and at the international level. The Secretariat would hopefully be able to complement the work done to address those additional points. His delegation, together with other developing countries, was currently discussing the convening of a High-Level Meeting to address various issues related to trade and development to assist developing countries prepare for the forthcoming negotiations and address difficulties facing developing countries in the process of implementation. One of the most important elements for consideration at such a High-Level Meeting would be the specific requirement mentioned by the representative of Bangladesh that LDCs should be treated as a separate group that had difficulties of a particular nature and should be recognized as such. His delegation hoped that, when the High-Level Meeting on Trade and Development was convened, it would focus on the particular needs and requirements of LDCs.

58. The representative of Switzerland said that his delegation's conclusion from the note was that LDCs problems were substantial and had to be taken seriously. Providing technical assistance was probably the best that could be done at the moment. Technical assistance already provided was also, at least quantitatively, substantial. The remaining question was whether the technical assistance that was provided was effective. In that respect, his delegation placed hope in some form of evaluation of the technical assistance provided. Such an evaluation would compare what had been done to what was needed. His delegation hoped that, at the next meeting of the Committee on Trade and Development, that Committee would be able to decide on such an internal evaluation of WTO technical assistance.

59. The Chairman said that there seemed to be general agreement that the paper was useful and could serve as a basis for future discussions. The question of implementation had, even on that basis, not been exhausted and would remain on the agenda of the Sub-Committee for its next meeting to allow for further consideration of the issue. In the meantime, he would explore informally with the Secretariat and with delegations how the Sub-Committee best could contribute to the discussions of the General Council.

## **E. OTHER BUSINESS**

60. The Chairman announced that the next meeting of the Sub-Committee was scheduled for the afternoon of Wednesday, 25 November 1998.

## ANNEX

### Statement by Ms Gloria Bartoli

#### World Bank Participation in the Integrated Framework for the Least-Developed Countries' Trade Development

61. The World Bank is proud to be part of the Integrated Initiative for the Least Developed Countries' Trade Development. The Bank's Executive Directors have endorsed the Integrated Framework that was approved by the WTO Membership at the High-Level Meeting and has encouraged Bank staff to actively participate in the Integrated Framework for the Least Developed Countries.

62. The experiences of many countries have demonstrated that trade can be a powerful vehicle for development. The objective then of the Integrated Framework is to make trade a similarly effective vehicle of development for the least developed countries. At the working level, the Needs Assessment is the instrument through which a least developed country identifies obstacles that inhibit its ability to take advantage of opportunities offered by the trading system. The Multi-year Country Programs of assistance that donors (the six sponsoring multilateral agencies plus regional institutions and bilateral development partners) are developing in response are intended to help the country to overcome the shortcomings that the Needs Assessment identifies.

63. Bank staff have contributed from the beginning to the development of the structure of the Integrated Framework – stressing the need to integrate it with the country's overall development strategy (as elaborated, say, in the Country Assistance Strategy that the Bank has worked out with the country). For the High-Level Meeting on Least Developed Countries, the World Bank helped the WTO to organize the thematic sessions and also participated actively in the organization and the conduct of the Country Specific Round Tables which served as show-cases. Bank resident missions, often in co-operation with staff of other participating agencies, have helped a number of least developed country governments to prepare their Needs Assessments. In addition, the Bank has provided consultants to six countries that needed more extensive assistance. Our country teams are now actively involved with implementation and further development in a number of the least developed countries.

64. In their Needs Assessments, authorities in most countries identified weak domestic infrastructure and lack of human resources locally as the major obstacles to their taking full advantage of trade as a vehicle for development. The needs identified ranged from training in information technology and assistance to improve customs administration, through transport infrastructure, to issues such as telecommunications, and electrical power. Another area of identified need was trade policy analysis and implementation - in particular export promotion, effective participation in negotiations, the capacity to implement WTO Agreements such as market access, technical barriers to trade, rules of origin, product standards, health and safety regulations, safeguards, and subsidies.

65. The World Bank will be fully involved in the next phases of the Integrated Framework by:

- supporting the least developed countries to prepare multi-year programs of trade-related technical assistance for the donor consultation meetings;
- developing and implementing assistance programs that meet the identified needs; and
- establishing a monitoring and evaluation system for the Integrated Framework.

66. In this next phase, countries will organize trade-specific donor consultations: they will be assisted by the World Bank country teams whenever they so request. For each participating country, this consultation should produce a concrete, multi-year program of pledged trade-related assistance.

One of the services the Bank can provide will be for its country teams to help governments to establish priorities among the items in their Needs Assessment: priorities that are consistent with their general development strategies on the one hand, and with external events on the other hand (e.g. next WTO Round, renegotiation of the Lomé convention, other regional/preferential trade agreements). The Bank's experience and knowledge of how alternative trade policies contribute to economic development and poverty alleviation -- already reflected in the Country Assistance Strategy the Bank has worked out with the country-- will be a major input into this process.

67. In this context, the World Bank's approach to trade policy as a development tool is fully complementary with the institution-based approach of the WTO: for example, if, through its lending and advice, the Bank can facilitate a country's adoption of a liberal trade and investment policy, the WTO allows the country to commit internationally to these policies.

68. While integration into the world trade system is a crucial element of growth and development, and establishing an open regime of trade and investment policies is necessary for this integration to be effective, open trade and investment policy is not enough. Investments in physical infrastructure, building strong private enterprises, sound macroeconomic management and establishing the credibility of economic institutions are also necessary. These are also within the traditional competencies of the World Bank.

69. An example of what the Bank can contribute is our Export Development Project for Bangladesh. The project aims to strengthen both the government's capacity to formulate and to manage trade policy and the private sector's capacity to operate in export markets. Several parts of the project involve co-operation with other multilateral and bilateral agencies. This work has also brought out the "positive" dimension of trade reform --e.g. enterprise development, policy management capacity-- to complement what is often perceived as the "negative" side, e.g., eliminate quantitative restrictions, reduce tariffs etc.

70. In Uganda, a request from the government for support from the Bank has provided the opportunity to work out an operational process for developing multi-year country programs. The Bank's Sector Investment Programs have been used as a model. The Bank's Sector Investment Programs is a way of involving donors in a less structured procedure than the Consultative Group Meetings. The Uganda country team has worked out with the Ministry of Trade and Industry the following steps:

- (a) Present the Needs Assessment together with the Integrated Response to donors at the 14 April 1998 donor meeting in Kampala.
- (b) At that time, bilateral and multilateral donors were asked to participate in a small working group, led by the Ministry of Trade. This working group reviewed the Needs Assessment and the Integrated Response as part of the preparation for an eventual presentation to donors for their support.
- (c) Again under the leadership of the Ministry, the Needs Assessment has been winnowed down in conformity with likely donor support.
- (d) A Multi-year Country Program has been drafted to be presented to donors at the next Consultative Group meeting in December.

Other participating agencies have been quite complementary of the arrangement the Bank's Uganda team have helped the government to devise. The process that is being hammered out for Uganda has been used also as template for other countries.

71. Also in Ethiopia, Guinea, Haiti, Mali, and Mozambique, the World Bank is supporting country authorities to prepare trade-related donor consultations and multi-year programs. In Haiti, the Bank representative is working with the IFC to involve the private sector in the Integrated Framework process.

72. I just came back from Ethiopia where I participated in meetings with the administration and the donor community to prepare for a donor consultation to take place in December. There is a very good team at the Trade Ministry which was updating the needs-assessment, spelling out the trade-related assistance priorities in a way consistent with general development priorities of the country. Following these discussions, Ethiopia should be able to hold a fruitful donor consultation in December. New ideas about how to support least-developed countries are coming out from the discussions on the multi-year program. The multi-year programs will represent a source of ideas and initiatives also for the Sub-Committee.

73. During the Annual Meetings of the Bank and the Fund, the Bank organized a seminar to introduce the Integrated Framework to African and other least developed country Governors. The presentation of the Integrated Framework focused on how it fits into the day-to-day work of the Bank. Since the IMF and World Bank Governors are mainly Finance Ministers, the seminar was a step toward bringing ministries other than the trade ministry into the discussion of trade policy. One of the objectives of the Integrated Framework is to improve such coordination between ministries within a country, so that trade policy is fully integrated into the country's strategy to promote development and to overcome poverty – rather than an isolated area of policy aimed more or less at keeping up with meetings in Geneva. The seminar at the annual meetings, by drawing Finance Ministers into the trade dialogue has contributed to the achievement these objectives.

74. The Bank supports the Administrative Unit that runs the Integrated Framework's day to day information base. The web-site for the Integrated Program is now accessible from the Bank Intranet and has been integrated into the tools offered to Bank staff. It complements the joint website of the World Bank and WTO.

75. While the WTO and the World Bank approach are complementary, as stated above, the Bank's development agenda is both broader, because it includes the issues that range from education to physical infrastructure and more ambitious in more specific areas than the obligations of the developing countries in WTO. Especially for the least developed countries, the World Bank may cover all the dimensions that are critical to the use of trade as a tool for development and poverty reduction. The Integrated Framework fits well with the way in which the Bank formulates trade policies to assist client countries in their development strategies.

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