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## Sub-Committee on Least-Developed Countries Thirty-Sixth Session

### NOTE ON THE MEETING OF 9 MARCH 2004

*Chairperson: Ambassador Johan Molander (Sweden) for items A-B  
and Ambassador Ian de Jong (Netherlands) for items C-D*

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#### A. ADOPTION OF THE AGENDA

1. The Sub-Committee adopted the proposed agenda contained in document WTO/AIR/2250.

#### B. CHAIRMANSHIP OF THE SUB-COMMITTEE

2. The outgoing Chairman, Ambassador Molander of Sweden, recalled that consultations had been held to select the new Chair for the Sub-Committee. At the 48<sup>th</sup> Session of the Committee on Trade and Development, H.E. Mr. Ian M. de Jong, Ambassador of the Netherlands, was elected Chair of the Sub-Committee. He said that Ambassador de Jong had vast diplomatic experience. He had been the Deputy Permanent Representative of the Netherlands to the European Communities in Brussels before taking up his post as Ambassador and Permanent Representative in Geneva. He had previously served as Minister Plenipotentiary at the Netherlands Embassy in Bonn. He had served in several other capitals including, Washington, Khartoum, and Beirut and had been stationed with the Permanent Mission of the Netherlands in Geneva from 1977 to 1981. He had also served as an Executive Director of the Inter-American Investment Corporation in Washington. The Chairman was convinced that Ambassador de Jong's vast experience would be a valuable asset to the work of the Sub-Committee. Moreover, the Netherlands and Sweden both had strong policies in support of issues on development and cooperation, particularly the development of the LDCs. He invited Ambassador de Jong to chair the 36<sup>th</sup> Session of the Sub-Committee.

3. The incoming Chairman, Ambassador de Jong, thanked the outgoing Chair for his contribution to the work of the Sub-Committee, in particular for his active role in the adoption of the Guidelines for LDCs' Accession.

4. The representative of Bangladesh, on behalf of the LDC Group in the WTO, welcomed the new Chairman. The Chairman came from a country that had always strongly supported the least-developed countries. Ambassador Molander was a true friend of the LDCs and had carried out his responsibilities with utmost sincerity and dedication. He had been through a period of intense activities in the Sub-Committee. It was during his Chairmanship that the LDC Unit in the WTO Secretariat was re-established, providing a focal point for the LDCs. During his Chairmanship, a number of studies had been presented, including one on market access. Ambassador Molander's period as the Chair would be particularly remembered by the acceding LDCs for his pioneering work on the Guidelines for LDCs' Accession. By organizing the seminar on accession of LDCs, Ambassador Molander had expressed, at an early date, his determination to facilitate their accession. It was only due to his relentless efforts and total commitment that the Accession Guidelines could be established. His task was not enviable as he had had to overcome concerns by some countries on the contents of the Guidelines. The LDCs were already reaping the benefits of Ambassador Molander's contribution. The Guidelines had facilitated the accession processes of Cambodia and Nepal, the first two LDCs to join the WTO after its establishment in 1995. The LDCs remained indebted to Ambassador Molander who would continue to remain amongst the LDCs as Sweden's chief negotiator for UNCTAD XI. His presence in UNCTAD would be a source of encouragement for the LDC Group.

5. The representative of Nepal associated himself with the statement made by Bangladesh on behalf of the LDCs. He welcomed the new Chairman whose country had remained committed to the cause of LDCs. He noted that the Chairman had served in an LDC country in the past and was sure that his experience would help promote the cause of LDCs in the WTO. He thanked the outgoing Chairman for his dedication and professionalism. During his tenure, a number of important results had been achieved, one of them being the Guidelines on Accessions which had helped Nepal's accession negotiations.

#### C. WTO WORK PROGRAMME FOR LEAST-DEVELOPED COUNTRIES

6. The Chairman said that he intended to build on past work and to focus attention on four important elements of the Work Programme, namely: accession of LDCs; market access for LDCs; providing, as appropriate, support to agencies assisting with the diversification of the LDCs' production and export-base and trade-related technical assistance and capacity-building initiatives for LDCs.

##### *(i) Accession of LDCs*

7. On the accession of LDCs, the Chairman recalled that in line with the Doha Ministerial Declaration and the LDC Work Programme, positive steps had been taken with the adoption of the Guidelines on the Accession of LDCs in December 2002 to facilitate and accelerate LDCs' accessions. As highlighted by the Director-General in his status report to the Cancún Ministerial Conference, steps had been taken to implement the Guidelines. A result of those efforts was the adoption of Cambodia's and Nepal's accession packages by Ministers at the Fifth Ministerial Conference in Cancún. Apart from Cambodia and Nepal, there were eight other LDCs at different stages in their WTO accession process. Work remained to be done to advance or conclude their accession negotiations. To facilitate discussion at the meeting, the Secretariat had updated the document describing the "State-of-Play" of LDCs' accessions which had been circulated as JOB(04)/3.

8. The representative of Bangladesh thanked the Secretariat for its progress report on LDCs' accession. It was a happy occasion for LDCs when, at Cancún, the WTO Members approved the accession package of Cambodia and Nepal. His delegation was delighted that Nepal and Cambodia would be able to join as soon as their ratification processes were completed. The LDC Group was eagerly waiting to see both Nepal and Cambodia as full Members of the WTO. He said that they were happy to note that the accession processes of Samoa and Vanuatu had reached advanced stages. Making progress in the accession process was not an easy task given the technical and financial constraints of LDCs, as well as not having representation in Geneva. He hoped that the Working Parties for both Samoa and Vanuatu would be able to complete their mandate by the end of the year. An increasing number of LDCs as Members would not only strengthen the WTO and the multilateral trading system but would also strengthen the ability of LDCs to participate meaningfully in the negotiations. He said that considerable synergy could be derived from working together and sharing responsibilities. Several LDCs, including Sudan and Bhutan, had applied for membership quite some time ago. Their accession process should be accelerated. It was encouraging, yet challenging, that first Working Party meetings of many acceding LDCs would be held in 2004. The accession process was lengthy, complex and arduous. The extent to which progress could be made would depend on the commitments asked from Members, and whether they would be realistic and practicable. He hoped that, as the accession process continued, the WTO Members would adhere to the Guidelines on LDCs' Accessions in letter and spirit. In conclusion, he called upon the Secretariat and the development partners to provide enhanced technical assistance to acceding LDCs so that they could complete their accession processes as soon as possible.

9. The representative of Ethiopia said that his country was advancing its work on the memorandum on its foreign trade regime. The Government of Ethiopia, in collaboration with UNCTAD, had organized a national workshop on the draft memorandum and on the sensitization of stakeholders on the WTO Agreements and on the WTO accession process. The workshop was held in Addis Ababa from 26 to 29 January 2004. Ethiopia was doing its best to accomplish the remaining tasks and to submit the memorandum as soon as possible to the WTO. He said that the accession process was complex and costly, particularly for LDCs, due to their limited human and institutional capacity. The decision to accelerate and facilitate the LDCs' accession to the WTO was a welcome decision which set out the obligations of both the acceding countries and the Member countries, including the commitment to give technical assistance at all stages of the accession process. He continued by saying that there were concerns that the decision was not being implemented fully. It was incumbent upon WTO Members to give credibility by upholding the decision in letter and spirit.

10. The Chairman said that with regard to the LDCs in the process of acceding to the WTO, he counted on the continued support of Members to activate as quickly as feasible the LDCs' accessions which were still at their initial stages of negotiations and to conclude other LDCs' accessions which were at a more advanced stage.

11. The representative of the United States said that her delegation had noted a fair amount of activity in the accession process. Her delegation was pleased to have participated in work of the Working Party on the Accession of Sudan which was moving forward well. She noted that a number of the acceding countries were advancing well in their capitals. Cape Verde had shown good initiative in moving the process forward. She said that Members could try to advance discussion on where individual accession processes were and what could be done to help other countries move forward. There should be a dialogue among the acceding countries as well as with WTO Members who were trying to help in the process. She said that her delegation would be pleased if several of the accessions could be concluded and others advanced in 2004.

12. The representative of Canada said that three of the countries in the initial stages of accession were benefiting from the Integrated Framework (IF) namely Ethiopia, Lao P.D.R and Yemen. Three others were not yet benefiting from the IF namely, Sudan, Bhutan and Cape Verde, yet they had

technical assistance needs. At an informal meeting on technical assistance, one delegation had requested a list of technical assistance of particular relevance to acceding countries. It might be useful to have a discussion on the type of assistance required. This would help bilateral donors in designing and providing meaningful assistance. The Sub-Committee could assist by mobilizing technical assistance for acceding LDCs.

13. The Chairman said that he would discuss with the Secretariat on how to move forward on the issue of technical assistance for acceding LDCs. He said that this issue could be discussed further at the next meeting of the Sub-Committee. He asked the Secretariat to prepare a short note to facilitate discussion at the next meeting. The importance of technical assistance and capacity building at all stages of the accession process was well known and should be fully supported. The Sub-Committee would continue to monitor the accession of LDCs at its future meetings.

14. The Chairman proposed that the Sub-Committee take note of the Secretariat note, as well as the statements and suggestions made.

15. It was so agreed.

(ii) *Market Access for LDCs*

16. The Chairman recognized that several Members, on an autonomous basis, had accorded preferential market access to LDCs in their markets. That was in line with paragraph 42 of the Doha Declaration, where Ministers committed themselves to the objective of "duty-free and quota-free market access" for LDCs and agreed "to consider additional measures for progressive improvements in market access for LDCs". He was also pleased to note that several Members had notified new or modified measures affecting market access for LDCs. In that context, he drew Members' attention to the notification by Australia contained in document WT/COMTD/N/18. At its 48<sup>th</sup> Session, the Committee on Trade and Development (CTD) had agreed to refer Australia's notification to the Sub-Committee for substantial consideration and reporting back.

17. The representative of Australia said that she would build on some of the brief comments made by her delegation at the 48<sup>th</sup> Session of the CTD. At the CTD, Australia had notified the duty- and quota-free entry which Australia had extended to imports from countries designated by the United Nations as least-developed countries which included East Timor. The legislation came into effect on 1 July 2003. The notification and accompanying documentation were included in the documents provided for the meeting. The new arrangements stemmed from the Australian Prime Minister's announcement in October 2002 at the Asia Pacific Economic Cooperation (APEC) Leaders Meeting in Los Cabos. At the time of the announcement, Australia had informed the CTD of the initiative. A solid summary of key points of the legislation were included in the documentation, in particular, paragraph 3 of the notification. The initiative was comprehensive and unqualified. It did not exclude sensitive sectors and did not provide phasing-in arrangements. She said the Customs Amendment Act, included in the notification, provided the definition of qualifying area for manufactured goods and the 25 per cent non-LDC developing country cap. The Australian Customs Notice outlined the rules for determining whether goods originated in an LDC, as well as the evidence of origin requirements. She would be happy to provide responses to Members both bilaterally and at the next meeting of the Sub-Committee.

18. The Chairman said that Australia's initiative to grant duty- and quota-free access to LDC products was a welcome initiative. He hoped that it would assist the further integration of the LDCs into the multilateral trading system.

19. The representative of Bangladesh, on behalf of the LDC Group in the WTO, expressed gratitude to the Government of Australia for providing duty- and quota-free access to all imports from

LDCs. The comprehensiveness and unqualified nature of the initiative was commendable. The new measure was accompanied by flexible rules of origin and simplified administrative requirements. He appreciated the fact that the Customs Tariff Act of the Government of Australia had already given effect to the scheme. The decision taken by the Australian authorities clearly demonstrated their commitment to the Doha Declaration, where the Ministers had committed to consider additional measures for progressive improvements in market access for LDCs. He said that meaningful integration of LDCs into the trading system required efforts by all WTO Members. The measures taken by the Australian Government would encourage other countries to make further improvements in their preferential scheme for LDCs, and thereby fulfil the mandate of the Doha Declaration. He hoped that the opportunities provided through the new initiative would further boost LDCs' exports to Australia and accelerate the economic growth of LDCs. LDCs were looking forward to greater engagement in trade with Australia. While national authorities were examining the scheme with a view of taking full advantage, some additional information was required, mainly, an illustration of the application of the local content requirement, and an explanation of the rules of origin for other preference receiving schemes offered by Australia. The representative of Bangladesh said that their understanding was that the goods manufactured by LDCs would be eligible for preference under other schemes if they did not meet the criteria for the rules of origin under the new scheme. He said that he was asking these questions so that they could know the requirements that needed to be fulfilled in order to be eligible for the preference. Canada had offered LDCs a very good package last year and exports to Canada had already increased.

20. The representative of Haiti said that most of the barriers had been considered by countries such as the United States, Canada and the European Communities which had taken steps to improve market access for LDCs. However, the LDCs were not able to take the best advantage of the opportunities given because they had other problems. He said that his delegation would be grateful if the Sub-Committee would be able to work in collaboration with other organizations such as the World Bank and the International Monetary Fund (IMF) which were the organizations that provided advice to LDC governments on preparation and implementation of economic policies. Even if LDCs were given the opportunity to export to different markets, there were still requirements which LDCs had to take into account if they were to benefit from the market access opportunities. For this they needed technical assistance. He said there was a need to assess the LDCs' situation in terms of their export potential and then decide, in a systematic way, what the LDCs needed to do in order to ensure that, for example, their exports met quality standards. If LDCs were intending to export to the European Communities, what were the required criteria for quality control and standards? The European Communities granted market access benefits but there were a number of conditions and requirements that had to be met first. LDCs did not have the technical nor financial resources to be able to meet those requirements and enjoy the market access opportunities offered. He hoped that there would be greater coordination between organizations that were advising countries on economic policies, such as the WTO, in their efforts to assist the LDCs to benefit more efficiently and effectively from market access initiatives.

21. The representative of Nepal said that his delegation was impressed with Australia's initiative because it was comprehensive and unqualified. The rules of origin were important in order to make sure that the facilities granted could be effectively used by the LDCs. He hoped that the flexible new rules of origin as well as simplified administrative structure would contribute to promoting trade and help LDCs integrate into the international trading regime. One of the important factors of the effective utilization of the preferential regime was how it could be utilized by Members, and especially by LDCs. There had been a number of studies on the effective utilization rate of preferential regimes. He said that his delegation would like to see improvements, not only in the granting of preferences, but also in the effective utilization of such preferences by the LDCs. He said that page 9 of the notification, entitled attachment B and which referred to calculating the rules of origin, mentioned the expenditure of the materials, labour and overheads and the cost of inner

containers. He asked for clarification on the definition of the inner container and how it was effectively utilized in calculating the rules of origin.

22. The representative of Senegal said that there had been a number of initiatives for LDCs but the outcome had been low compared to the potential. Countries were not fully utilizing the initiatives and the Sub-Committee should address the reasons for it. Even if markets were open, many LDC exporting enterprises were small medium enterprises (SMEs) which were faced with constraints such as financing difficulties, and non-tariff measures. He said that there should be an analysis of whether there was any accompanying mechanism which could help in terms of capacity building and training as well as in other areas such as financing. Senegal had had the experience of adapting some of its products to specific export markets for the fisheries industry. The European Communities had designed a mechanism that had enabled SMEs to adapt to the quality controls on the European Communities market. He said that the Sub-Committee should look at such mechanisms that would enable LDCs to fully benefit from the initiatives.

23. The representative of Tanzania said that his delegation was hopeful that Australia's initiative would encourage other WTO Members to take similar measures so as to stimulate and promote the participation of LDCs in world trade. His delegation would work closely with the relevant authorities in the capital to study Australia's notification and provide comments at a later stage. He hoped that Australia and other WTO Members would take measures to support LDCs in addressing supply-side constraints as well as other obstacles related to products standards and rules of origin that had in the past made it difficult for LDCs to take advantage of similar measures. He said that LDCs would be able to take advantage of Australia's initiative and those of other Members only when supply-side constraints were addressed.

24. The representative of Switzerland said that Australia's scheme was interesting particularly with regard to the rules of origin. She requested more information from Australia in order to learn from the scheme and maybe enable Switzerland to improve its own scheme. She said that a more coordinated approach internationally would be necessary to improve the schemes for LDCs and to dampen the effect of preference erosion in the course of MFN tariff reductions. The initiative was interesting as it allowed for 50 per cent input from other LDCs and 25 per cent from other developing countries to qualify. She wondered whether it would not be better to allow for up to 100 per cent input from other LDCs. She asked whether there was a direct shipment rule and how exactly the donor country content was applied. She also asked how the verification procedure worked and about the administrative cooperation with the exporting country, the precautionary measures against fraud and circumventions, if there were any safeguard mechanisms in case of a major increase of imports from LDCs, and if so, how they were designed. The notification stated that sensitive sectors were not excluded from the scheme and that non-manufactured raw materials and manufactured goods would receive duty-free entry. She asked whether this meant that all products originating from LDCs were duty and quota free. If not, which categories were excluded?

25. The representative of the European Communities said that his delegation acknowledged and appreciated Australia's initiative for LDCs. Australia's initiative set a good example for other Members to follow. Regarding the issue of information gaps between preferences and administrative rules related to the preferences, the European Communities had taken the initiative to establish an online database of their preferential schemes. The online database allowed access not only to information on a given tariff rate for a particular product under the GSP, which included as a sub-category a scheme for the LDCs, but also the African Caribbean and Pacific Countries' (ACP) preferences and other preferential regimes. It also gave information on the applicable rules of origin in order for an exporter to benefit from those preferences. He said that the European Communities was intending to expand the online service to also provide information on the relevant regulatory requirements such as applicable sanitary and phytosanitary (SPS) rules. Part of the rationale for the initiative was to try to respond to an information gap in exporting countries, including LDCs,

regarding available preferences and the required administrative steps. He said that the issue of supply-side constraints was part of a broader issue of technical assistance and the Integrated Framework. It was a challenge for all, including the donor countries and other agencies who were active in the field alongside the WTO, to try to help and support LDCs to use the trade preferences and other export possibilities available to them. The issue of supply-side constraints was relevant and deserved continued attention in the Sub-Committee and other relevant contexts.

26. The representative of Zambia said that market access barriers made it difficult for LDCs to utilize the measures given and the WTO membership needed to address these difficulties. He suggested that at the next Sub-Committee, there should be an agenda item, under the broader market access item, to discuss market access barriers. These barriers had been discussed in other fora including the United Nations Conference on Trade and Development (UNCTAD). The issue of supply-side constraints also made it difficult to utilize the market access initiatives. The Doha agenda focused more on market access and less on how to make use of the market access opportunities. The Integrated Framework partly addressed the issue of supply-side constraints but his delegation was of the view that WTO Members should look at the broader aspect. Organizations such as UNCTAD, International Trade Centre (ITC), United Nations Industrial Development Organization (UNIDO), and the World Bank could do better with more financing. More could also be done at the bilateral level.

27. The Chairman said that the issue of supply-side constraints would be discussed at the next Sub-Committee. He suggested that the representative of Australia should respond to some of the questions raised in a letter addressed to the Secretariat for distribution to all Members.

28. The representative of Australia said that she may have to ask some delegations to present their questions in writing. Australia would respond in a letter which could also, if needed, be introduced at further meetings of the Sub-Committee.

29. The Chairman proposed that the Sub-Committee take note of the notification by Australia and the statements made. He also proposed that he send a letter to the Chairman of the CTD and that the record of the discussions at the meeting be sent back to the Committee on Trade and Development to fulfil the Sub-Committee's duty of reporting back.

30. It is was so agreed.

31. The Chairman said that before closing the sub-item, he wanted to take the opportunity to urge Members, that had not already done so, to notify changes and improvements in market access for LDCs. This would facilitate the monitoring of improvements in market access as mandated in paragraph 7 of the LDC Work Programme.

(iii) *Support, as appropriate, to agencies assisting with the diversification of LDCs' production and export base*

32. The Chairman recalled that the item on support, as appropriate, to agencies assisting with the diversification of LDCs' production and export base was first considered at the 28<sup>th</sup> Session of the Sub-Committee when ITC reported on its work in this area. He invited the representative of UNCTAD, Mrs. Puri, Director of the Division on International Trade in Goods, Services and Commodities, to brief Members on UNCTAD's work in that area and if she so wished, to report on preparations for UNCTAD XI.

33. The representative of UNCTAD said that in addition to work on the diversification of LDCs' product and export base, UNCTAD was also involved in work on the other agenda items, mainly accession and market access. UNCTAD was the focal point of the United Nations (UN) system for the treatment of commodity sector issues, as they related to trade and development and that LDCs

were amongst the most commodity dependent countries. UNCTAD was committed to pursue work in that area pursuant to its mandates and in the context of its contribution to the attainment of the UN Millennium Development Goals. Paragraph 42 of the Doha Declaration had also recognized that support for the diversification of production and export base of LDCs was a requirement for their integration into the multilateral trading system. There was a need to help find a way out of the circle of commodity dependence, declining prices and declining revenues, and to help LDCs pursue effective trade and development strategies and commodity sector policies. UNCTAD's work on export diversification with LDCs involved horizontal, vertical and geographical diversification of both production and trade in their commodity sectors. UNCTAD provided public policy advice and support, helped strategize and restructure sectors, assessed options of commodity sectors and identified areas into which diversification was viable, profitable and made the best contribution to the development process. She said that diversification must be viable and yield optimal development results. In terms of geographical coverage, UNCTAD had tried to be as comprehensive as possible within their given resources. Most LDCs and commodity dependent countries had been covered as well as countries in Asia, Africa, Central America, Central Asia and the Pacific Islands. In terms of commodity sectors, UNCTAD had tried to cover all possible commodity sectors - agricultural, horticultural, fisheries, minerals and metals. To the extent possible, UNCTAD had tried to approach the issue of diversification in terms of supporting countries to move into dynamic and new sectors of world trade where countries concerned had an existing or potential export competitiveness and comparative advantage. UNCTAD's work involved research, policy analysis, information dissemination, technical cooperation, consensus building, exchange of experiences through national, sub-regional, and regional as well as multilateral workshops, seminars and meetings. She said that UNCTAD was working very closely with national governments and specific ministries. At the macro level, they had been working with enterprises in trying to raise awareness of opportunities in the different sectors, how to overcome constraints and how to devise strategies at the enterprise level. Civil societies and other international organizations were also involved.

34. She continued by saying that UNCTAD was looking not only at the supply aspect of export diversification but also at the competitiveness and market access aspects. LDCs were often prevented from diversifying successfully because of a plethora of market access conditions which ranged from product requirements, SPS, technical barriers to trade (TBT) and other barriers set by governments and buyers. Rules of origin and other behind the border barriers needed to be addressed if LDCs were to diversify properly. The Development Account of the United Nations had financed work on supporting diversification including in the LDCs. The Finnish Government had also funded a project on assessing the cost of compliance in LDCs for agrifood safety. The project aimed to identify and quantify the compliance costs for agrifood safety measures taken by governments and how the costs could best be met. LDCs needed capacity-building support in the areas of TBT, SPS, institutions, and human resources in order to overcome barriers and raise their competitiveness. She said that in the context of the Joint Integrated Technical Assistance Programme (JITAP), UNCTAD, in collaboration with ITC and the WTO, had been preparing a tool kit on the issue of diversification and how best JITAP countries could pursue successful diversification policies. With respect to cotton, UNCTAD had started a project on improving the sustainability of cotton production and small scale farmers income in the cotton producing and exporting counties of West and Central Africa. The International Cotton Advisory Committee and the Common Fund for Commodities had been supporting the project to help the countries involved improve production and supply of cotton. Further work was being planned with a view to assisting the sustainable development and diversification of the LDCs' cotton sectors within a value chain approach. She continued by saying that commodity finance was important as no diversification policies would be successful unless producers in LDCs had access to credit. UNCTAD had been involved in supporting innovative techniques and designing risk finance instruments which had been successfully tried in the field.

35. The representative of UNCTAD said that market information was another important aspect of the diversification paradigm. UNCTAD was actively working towards reducing the existing



asymmetry with respect to market information, particularly through its Infocomm website.<sup>1</sup> She said that opportunities for diversification in mineral commodities should not be neglected. The demand and needs of the LDCs in the area of diversification were great and in order to meet the demand, she appealed to the donor community for their generous contributions in order to meet the increasing demand of regional, sub-regional and national activities. UNCTAD's capacity to respond needed to be reinforced and adequate resources made available. An expansion of extra-budgetary resources provided for commodity work would enable UNCTAD to fulfil its role in technical cooperation and capacity building by ensuring sustained programmes. She said that the group of Eminent Persons on commodities, convened by UNCTAD upon the request of the UN General Assembly had in their report suggested to create an International Export Diversification Fund. The international community needed to dedicate some resources in order to support diversification-related activities, particularly for LDCs.

36. On UNCTAD XI, she said that preparations were underway and that the LDC focus was present in a number of areas both in terms of the agenda and the sub-themes. One of the sub-themes dealt with ensuring development gains from the international trading system and trade negotiations. The document that was in the process of being negotiated referred both to the commodities issue and to the trade and poverty connection. There was also a trade and gender connection that emerged from the discussions. In the context of UNCTAD XI, she hoped that an International Task Force on Commodities could be established. LDCs in particular had been supportive and she appealed to the developed and developing countries to support the initiative which was meant to pull together the efforts of all stakeholders. The Task Force would include governments, inter-governmental organizations, non-governmental organizations (NGOs) as well as the business sector. A number of initiatives would be taken and diversification would be one of the main agenda items.

37. The representative of Zambia said that inviting other organizations such as UNCTAD to the Sub-Committee to address issues such as diversification was very important and should be encouraged. It was important to match market access with supply-side constraints. The Doha Round was putting more emphasis on market access but the WTO had some opportunities to address supply-side constraints such as in the area of transfer of technology within the context of the TRIPS Agreement. Unless supply-side issues were addressed, the Doha Round risked leaving the LDCs behind. In most cases, the donors present in the WTO were also providing funds to the supply-oriented organizations such as UNCTAD, ITC, and UNIDO. More money should be given to such organizations so they could address supply-side issues. He suggested that in the next meeting of the Sub-Committee, the agenda item on support for the diversification of LDCs' production and export base could be left open. UNCTAD and other supply-side oriented organizations could be invited to provide more insight as to the different ways of addressing the diversification issue.

38. The representative of Senegal thanked the representative of UNCTAD for presenting the work being undertaken by UNCTAD. He said that UNCTAD's initiatives in the area of diversification and commodities had provided important results and should be supported financially. Regarding UNCTAD's programme on Quality Assurance and Enhancing Export Competitiveness of Tropical Fruits in the African LDCs, Senegal was using less than 50 per cent of its tropical fruit export potential, mainly due to the lack of storage infrastructure and lack of training. Continued cooperation between UNCTAD and organizations such as the WTO would ensure that the issues were addressed appropriately and would ensure market access for LDCs.

39. The representative of Rwanda asked whether the countries that would benefit from the Export Diversification Fund had been identified. He said that Rwanda was interested in benefiting from the Fund and that it was committed to diversification as it was dependent on two commodities, coffee and tea. He said that Rwanda's ongoing concern was to maximize the quality of coffee and to ensure a

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<sup>1</sup> [www.unctad.org.infocomm](http://www.unctad.org.infocomm)

high level output. The issue of supply-side constraints had to be addressed. He supported the comments made by the representative of Zambia and hoped that the agenda item on diversification would remain on the agenda of the next meeting of the Sub-Committee.

40. The representative of Bangladesh said that more than 50 per cent of LDCs' exports depended on three or four commodities. There had been a secular decline in the price of commodities in the past 20 years. It was vital that the problem was addressed. He said that even if LDCs diversified, given the existing distortions, diversification would not be sufficient to address their problem. He asked whether the Diversification Fund meant a diversification within the commodities sector or a diversification in the overall context of the economy.

41. The representative of Canada said that paragraph 12 of the WTO Work Programme for LDCs indicated that the WTO would, as appropriate, support agencies assisting with the diversification of LDCs' production and export base. She asked whether the proposed Task Force would also include the WTO. She asked whether the Secretariat could provide an indication of work undertaken in support of other agencies in the area of diversification.

42. The representative of Benin said that diversification from commodities was important especially in terms of improving the living conditions of people in developing countries and LDCs. He urged bilateral and multilateral parties to support UNCTAD's initiative to enable it to complete the tasks it had undertaken. He said that his delegation fully supported the project on improving the sustainability of cotton and small-scale farmers' income in cotton producing and exporting countries of West and Central Africa.

43. The representative of India thanked UNCTAD for its activities to support LDCs in the diversification of their production and export base. The approach covered all areas and more specifically, market access issues, supply-side constraints, market entry issues, and competitiveness. Any strategy for diversification had to be sustainable and viable and should lead to overall developmental benefits to LDCs. He hoped that Members would support the continuation of UNCTAD's activities in that direction. In paragraph 42 of the Doha Ministerial Declaration, Ministers had recognized that the integration of LDCs into the multilateral trading system required support for the diversification of their production and export base as well as trade-related technical assistance and capacity building. UNCTAD's work was valuable and should be encouraged and supported.

44. The Chairman suggested that the representative of UNCTAD should respond to the questions raised after the report by the Chairman of the Integrated Framework Steering Committee under the agenda item on trade-related technical assistance for LDCs.

*(iv) Trade-related Technical Assistance for LDCs*

45. The Chairman said that the Work Programme on LDCs recognized that in monitoring the element on trade-related technical assistance, the Sub-Committee would be guided by the work in other bodies, namely the Integrated Framework Steering Committee (IFSC) and the Integrated Framework Working Group (IFWG). He invited Ambassador Iversen (Denmark), in his capacity as Chair of the IFSC, to report on developments.

46. The representative of Denmark, in his capacity as Chairman of the IF Steering Committee said that the IF Working Group had produced a revised work programme which had subsequently been adopted by the IFSC and circulated to Members of the Sub-Committee as document WT/IFSC/7 on 17 February 2004. The Work Programme was a result of the IF evaluation which was mostly positive and encouraging. The evaluation had made a number of suggestions on how to improve the functioning of the IF process by ensuring, for example, country ownership. He said that the IF

Working Group and the Steering Committee had also taken measures to expedite the use of Window II. In that respect, he mentioned three light criteria that were put in place, namely: a ceiling of one million dollars per country (project proposals for funding out of Window II could not go over and above US\$ one million per country); the proposals would form part of the approved Diagnostic Trade Integration Study (DTIS) and action matrix as identified by the country as a priority with the ultimate aim of mainstreaming trade; and the projects had to be approved by the Local Project Approval Committee as described in the Annex of the terms of reference for Window II (document WT/IFSC/4). These light criteria had been forwarded to the United Nations Development Programme (UNDP) as Trustee of the IF Trust Fund.

47. The Chairman proposed that the representative of UNCTAD respond first and then take comments on the report of the Integrated Framework.

48. The representative of UNCTAD hoped that there would be further opportunities to discuss progress on the issue of diversification. She referred to the statement made by the representative of Rwanda and clarified that the diversification fund was not yet a reality. It was a suggestion made by the Eminent Persons Group which was set up on the direction of the UN General Assembly, convened by UNCTAD and whose main recommendation indicated that there was a need for an international export and commodity sector diversification fund. That fund would focus on developing, among other things, the institutional capacity of countries, stronger producer associations, key infrastructure and stimulating investments by providing risk capital or temporary compensation for certain infrastructural weaknesses. She added that Rwanda could benefit from UNCTAD's services with or without the diversification fund. Regarding the question from the representative of Bangladesh on the kind of diversification, she said there was no indication as to the kind of diversification and specified that it would also include horizontal diversification. On the importance of cotton raised by the representative of Benin, she said that UNCTAD was in the process of executing a project. Regarding the question raised by the representative of Canada on the Task Force on commodities, she clarified that all relevant stakeholders and partners, including the World Bank and the WTO, would be involved as appropriate.

49. The representative of Bangladesh commented on the report of the Chairman of the IF Steering Committee. He said that the IF Steering Committee had adopted the follow-up actions of the second evaluation of the Integrated Framework. Two concepts stood out from an LDC perspective, namely, the strengthened country ownership in the DTIS process as well as the effective follow-up to the DTIS. The IFSC had also adopted three criteria for the operation of Window II which, he hoped, would facilitate the implementation of projects identified in the DTIS action matrices. He hoped that the integrity of the terms of reference of Window II would be maintained while projects under Window II were approved. He said that it was important to address supply-side constraints and added that the IF should play an important role in addressing those constraints. The fact that there were 31 LDCs in different stages of the IF process emphasized the level of commitment by the LDCs. He asked development partners to further contribute to the IF Trust Fund. Establishment of Diagnostic Trade Integration Studies was pending for several LDCs due to capacity constraints faced by the World Bank. He suggested that other IF agencies could take the lead in the preparation of the DTIS in order to accelerate that process. The UNDP had taken the lead role in some countries.

50. The representative of Switzerland proposed that the Diagnostic Trade Integration Studies could include a strengthened section on accession, where appropriate. He proposed that the Sub-Committee make a recommendation to the CTD or to the IF Working Group to ensure that the future DTISs for acceding LDCs would include an intensive assessment of institutional and legislative needs related to the accession to the WTO. With regard to the WTO technical assistance plan, he was pleased to see in the state-of-play document that direct technical assistance was provided by the WTO Secretariat to LDCs in accession. He asked whether the WTO Secretariat had a set of standard technical assistance activities for acceding LDCs. Was such a system already in place, and if not,

could the Sub-Committee instruct the Institute for Training and Technical Co-operation to develop such a tool? He informed Members that his delegation had conducted an evaluation of a programme for acceding LDCs in Central Asia. His delegation was happy to share the information with interested Members.

51. The representative of Denmark, in his capacity as Chairman of the IFSC, agreed with the representative of Bangladesh on the importance of supply-side constraints and agreed that Window II was a contribution to address some of those constraints excepting physical infrastructure. Regarding the comments made by the representative of Switzerland, he looked forward to a continued discussion in the Sub-Committee and in the IFSC to address the issues raised.

52. The Chairman asked the WTO Secretariat to prepare a paper on supply-side constraints. He suggested that the UNCTAD and other organizations be invited to the next meeting of the Sub-Committee to provide an update of the issues that were discussed. He also invited other delegations that had not commented, to comment on these issues so as to have a discussion geared towards the needs of the LDCs. He would consult the Secretariat on ways of incorporating the comments by the representative of Switzerland in the agenda of the next session of the Sub-Committee.

53. The Chairman proposed that the Sub-Committee take note of discussions held and statements made.

54. It was so agreed.

#### D. OTHER BUSINESS

55. The Chairman proposed that the next meeting be held before UNCTAD XI, either end of May or early June 2004.

56. The meeting was adjourned.

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