

**Committee on Trade and Development**

REPORT OF THE MEETING

Chairman: Minister Jan Pronk (The Netherlands)

The High-Level Meeting was held at the WTO on 27-28 October 1997.

Minister Jan Pronk, Minister for Development Cooperation of the Netherlands, delivered the opening statement. Additional statements were made by Mr. Renato Ruggiero, Director-General WTO, Mr. Rubens Ricupero, Secretary-General UNCTAD, and Mr. Denis Bélisle, Executive Director ITC. The agenda, contained in WTO/AIR/698 and Add.1 and 2, was adopted.

The Meeting took note of the statements made on "Initiatives to Improve Market Access for Least-Developed Countries" (Agenda Item B). It welcomed the announcements of new or additional preferential market access measures for least-developed countries taken or proposed to be taken soon by the EC, Morocco, United States, Mauritius, Korea, Singapore, India, Switzerland, South Africa, Thailand, Malaysia, Egypt and Turkey. It noted the statements of Japan, Canada, Australia, Norway, Hungary and Bulgaria about the very liberal existing market access conditions under their present GSP systems. The Meeting further noted the indications of Indonesia and Chile to consider initiatives for the benefit of least-developed countries as soon as possible. It invited delegations that have announced initiatives to improve market access for least-developed countries to notify the details to the Secretariats of WTO and UNCTAD as soon as possible. The Meeting also took note of the summary of the discussion on market access issues by the Chairperson, Minister Pronk.

The Meeting encouraged all WTO members to keep under active review all options for improving market access for least-developed countries presented in the Comprehensive and Integrated WTO Plan of Action for the Least-Developed Countries and to monitor the implementation of the commitments made in this regard.

The Meeting recommended to the WTO that a full report on the outcome and follow-up of the Meeting and announcements of implementation of autonomous market access measures and commitments in favour of the least-developed countries be prepared by the Director-General of the WTO and submitted to the WTO Ministerial Conference in May 1998.

Under the "Provisional Application on a Country-Specific Basis of the Integrated Framework for Trade-Related Technical Assistance to Support Least-Developed Countries' in their Trade and Trade-Related Activities" (Agenda Item C), twelve roundtable presentations were made for the following countries: Nepal, Haiti, Vanuatu, Madagascar, Tanzania, Djibouti, Zambia, Mali, Bangladesh, Chad, Uganda, and Guinea. The presentations, by Ministers of the countries concerned and by representatives of the six intergovernmental organisations involved most directly in this exercise (IMF, ITC, UNCTAD, UNDP, the World Bank and WTO), covered each country's needs for trade-related technical assistance and an integrated response to these needs prepared by the six organisations concerned, on the basis of documents WT/LDC/HL/12 Add.1 to 12. Following these presentations, many delegations and other intergovernmental organizations intervened to comment on the needs identified by the least-

developed countries concerned and on the integrated response of the six organisations. The Meeting took note of the presentations and the statements made.

The Meeting recognized that these roundtables were pilot cases and represented the start of a process of applying on a country-specific basis the Integrated Framework for Trade-Related Technical Assistance to all least-developed countries that express an interest in participating in the exercise. The Meeting took note of the commitment of the six intergovernmental organizations to continue to respond promptly to requests from least-developed countries to participate in the exercise and, through their process of inter-agency coordination, to review the needs assessments of other least-developed countries; it noted that a further twenty-one least-developed countries had made such requests. The Meeting welcomed the aim of the six agencies to have agreed provisionally, before 15 March 1998, under paragraph 5(d) of the Integrated Framework, upon a programme of trade-related technical assistance activities that can be provided to these countries.

The Meeting received reports of the two Thematic Roundtable discussions (Agenda Item D). Minister Tofail Ahmed of Bangladesh presented the Roundtable I recommendations on "Building the Capacity to Trade in Least-Developed Countries", and Minister Alec Erwin of South Africa presented the Roundtable II recommendations on "Encouraging Investment in Least-Developed Countries". These recommendations are attached to this Report. The Meeting took note of the two reports and the recommendations.

The Chairman of the Meeting, Minister Jan Pronk made the following statement: "From the consultations held both before and during the High Level Meeting with a great number of participants, representing least-developed countries, development and trading partners as well as international organizations, as well as from the discussions in the two Thematic Roundtables, I note that there is wide support for the content of the recommendations concerning the capacity to trade, encouraging investment, in relation to sustainable development. I also note that participants feel that the recommendations should apply as much as possible to all agencies concerned; also where sometimes individual agencies have been mentioned, in the spirit of the integrated approach, which we have endorsed today. For that reason I take it, that participants would expect me to request the Director-General of WTO to convey these recommendations for consideration to the appropriate intergovernmental organisations as well as to the governments of the least-developed countries and their development and trading partners."

The Meeting endorsed the Integrated Framework for Trade-Related Technical Assistance, including for Human and Institutional Capacity Building, to support Least-Developed Countries in Their Trade and Trade-Related Activities, contained in document WT/LDC/HL/1/Rev.1 (Agenda Item E).

It also took note of the announcement by Hong Kong, China of a donation of US\$1.25 million to the WTO Trust Fund specifically for the purpose of providing technical assistance under the Integrated Framework.

The Chairman of the Meeting, Minister Pronk, made the following statement: "We have now endorsed the Integrated Framework. However, the Framework is indeed only a Framework, which will have to prove its value through its implementation. Having heard the discussion yesterday, I, as a Chairman, have formulated the following four recommendations to countries and agencies implementing the Integrated Framework:

- (a) In taking forward the needs assessments and the technical cooperation programmes the next step should be a further prioritization of the different elements. In this process the individual LDC concerned has to be in the drivers' seat, in order to move from

a needs assessment drawn up by partners to a demand articulation by the country itself, including its own perception of costs and benefits;

- (b) Application of the Integrated Framework should not be limited to IMF, ITC, UNCTAD, UNDP, the World Bank and WTO. In the country-specific process, starting already with drawing up the initial needs assessment, continuous dialogue should be sought with other relevant multilateral agencies, such as FAO, the Common Fund and others that have expressed their interest, and with bilateral development partners. In this process, also the private sector should be taken fully aboard;
- (c) The agencies should develop a timetable for monitoring and evaluation, as well as indicators for progress; for reporting and monitoring full use should be made of existing mechanisms such as UNDP Roundtables, World Bank Consultative Groups and the appropriate bodies within UNCTAD;
- (d) In order to maintain coherence in the application of the Integrated Framework as a whole, follow-up to today's Meeting should be included in the agenda for the forthcoming WTO Ministerial Conference, given the fact that the same Ministers, when assembled in Singapore, started this process.

I will ask the Secretariat to include these four recommendations in the report of this plenary meeting, so that they are brought to the attention of the relevant bodies."

He also made the following suggestion: "I also suggest that the High-Level Meeting recommend to the other five intergovernmental institutions to seek approval of their participation and contribution in this Integrated Framework by their respective governing bodies according to their respective procedures and mandates."

The Meeting took note of the information provided on the use of information technology by the six intergovernmental organisations to enhance trade opportunities for least-developed countries, and on ways to facilitate its use by least-developed countries. It recalled the comments by the WTO Director-General in his opening statement at the Meeting that the new information technologies the WTO is exploiting in partnership with the World Bank provide a gateway to development which can provide the developing world with the most important resource for raising living standards - knowledge -, and it welcomed the WTO's commitment to provide government officials in its least-developed country Members with computers, equipment and the know-how to access the information provided on the WTO web site by 1998.

ATTACHMENT

The High-Level Meeting urges that the following recommendations of the Thematic Round Tables on "Building the Capacity to Trade in LDCs" and "Encouraging Investment in LDCs":

- (a) be taken into account in the implementation of the "Integrated Framework for Trade-Related Technical Assistance, including for Human and Institutional Capacity-Building, to Support Least-Developed Countries in Their Trade and Trade-Related Activities";
- (b) be taken into account in the work of country round-tables for individual LDCs;
- (c) be brought to the attention of the relevant intergovernmental bodies for appropriate follow-up and action; and
- (d) be a basis for further public-private sector consultations at the national level.

The High Level Meeting calls on the International Monetary Fund, the International Trade Centre (UNCTAD/WTO), the United Nations Conference on Trade and Development, the United Nations Development Programme, the World Bank and the World Trade Organization to continue and intensify their cooperation in supporting LDCs in their efforts to integrate more effectively in the international economy.

THEMATIC ROUND TABLE A: BUILDING THE CAPACITY TO TRADE IN LDCs

The High-Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development,

recalling that policy decisions, whether directly trade-related or not, are in the purview of sovereign governments respectively of governing bodies of the relevant international agencies,

stressing that efforts to design and implement programmes of technical and/or financial assistance will only be successful in the longer run if the ownership of the country concerned is ensured,

underlining the complementarity of macroeconomic, sectoral and microeconomic policies,

aware that trade development is but part of the broader developmental agenda which includes, *inter alia*, poverty reduction, growth with equity, good governance and social and ecological sustainability,

recognizing with appreciation that governments of a number of LDCs have already successfully undertaken taken many of the steps suggested below,

I. recommends, for consideration, that governments of LDCs:

- (a) pursue and/or maintain sound macroeconomic policies as a precondition for the promotion of growth and diversification of exports and for establishing an appropriate environment for the development of competitive traded goods industries. This will require, *inter alia*, rationalization and sound management of public expenditure, properly planned monetary growth, maintenance of market determined exchange rates, transparent, open, and stable trade policies, consistent with international obligations, and relatively uniform protection implemented through competitive tariffs for domestically produced goods;
- (b) accede to the WTO if they have not already done so;
- (c) establish an economic and legal framework to enhance growth of a dynamic private enterprise sector, especially small and micro-enterprises;
- (d) design and implement measures to enhance participation of small and micro-enterprises in international trade, including through enhanced access to trade finance and insurance;
- (e) develop national programmes of trade-related human resource development in partnership with the private sector, to provide training and business counselling services;
- (f) review, together with the private sector, public sector institutions which provide trade support services, to ensure that they meet the needs of market oriented trade sectors, e.g. by simplifying the trade transaction process, and that they receive adequate budgetary support;
- (g) strengthen public institutions focusing on trade (e.g. customs departments, trade ministries, trade promotion councils); enhance their effectiveness through the

establishment of coordinating mechanisms; and encourage relevant agencies (*eg* customs departments) to seek greater co-operation with their regional counterparts;

- (h) undertake effective measures to establish and/or strengthen trade support services on business information, export product development, export finance, export quality and packaging, international purchasing, export marketing and trade-related human resource development;
- (i) request a Trade Policy Review in order to obtain a comprehensive overview of their trade-related policies which could facilitate ongoing trade policy reform;
- (j) accelerate efforts to strengthen regional integration through regional trading agreements, consistent with WTO-obligations, which entail the full implementation of existing agreements to remove trade barriers among neighbouring countries and further liberalization of trade and investment within regional groupings;
- (k) give high priority, in public sector investment programmes, to trade-related infrastructural investment, in particular by strengthening transport and telecommunication networks, including intra-regionally;
- (l) liberalize and reform their domestic transport and communication sectors in order to promote greater competition and efficiency in support of trade.

II. recommends, for consideration, to the governing bodies of multilateral agencies that the agencies, within the collaborative Integrated Framework, provide technical and, where appropriate, financial assistance to:

- (a) support the design and implementation of macroeconomic and trade policy reforms in LDCs;
- (b) support LDCs' accession to WTO;
- (c) promote human resource development and institution building in LDCs in trade-related areas, in the context of strategies developed by the LDCs themselves, so as to achieve maximum result through actual ownership by the LDCs of the programmes;
- (d) support LDC-WTO members in implementing their WTO-commitments resulting from the Uruguay Round;
- (e) support regional groupings to enhance regional integration, consistent with WTO-obligations, in order to expand the size of the potential market available to investors in LDCs.

III. also recommends, for consideration, to the appropriate governing body/bodies that:

- (a) the World Bank enhance its efforts to develop the capacity of LDCs to produce (tradable) goods and services, including through infrastructure and human resource development;
- (b) the World Bank assist LDCs to undertake public expenditure reviews that ensure public investment funds to be allocated in accordance with overall development priorities,

including trade-related infrastructure requirements; and that multilateral as well as regional development banks provide and mobilize finance for sustainable and socially profitable trade-related infrastructure in LDCs;

- (c) the World Bank and regional development banks consider providing finance for trade-financing facilities in LDCs;
- (d) the World Bank, including EDI, and the UNDP expand their efforts in LDCs to include strengthening of institutions -as part of broad programmes for good governance- relevant to enhance LDC-participation in international trade, including through building further broad-based public-private sector partnerships and supporting partnerships between external trading partners;
- (e) the WTO further develop its efforts to assist least-developed countries in the process of acceding to the WTO, *inter alia*, through providing focused assistance to LDCs in preparing documentation and in facilitating their market access negotiations in goods and services;
- (f) the WTO accommodate on a priority basis requests from LDCs for Trade Policy Reviews and assist LDCs in preparing for their reviews;
- (g) the WTO and the UNCTAD enhance LDCs' participation in their trade policy courses and seminars;
- (h) the ITC expand its efforts to assist LDCs in strengthening the key trade support services and capacity building efforts in the related national and regional institutions;
- (i) the ITC, the UNCTAD and the WTO ensure that activities for individual African LDCs, implemented as part of their Joint Integrated Technical Assistance Programme in Selected African Countries, form an integral part of the Integrated Framework.

IV. recommends, for consideration, that multilateral and bilateral development partners:

- (a) support the Integrated Framework for Technical Assistance through the technical and financial assistance they provide to LDCs to develop trade-related infrastructure and trade support services, and through the establishment of programmes to enhance the technical and managerial skills of exporters in LDCs;
- (b) use the Integrated Framework for Technical Assistance and its results as tools for programming their own trade-related technical co-operation with LDCs;
- (c) support LDCs in strengthening their capacity to participate effectively in multilateral trade negotiations and to fully adhere to the obligations they entered into.

### THEMATIC ROUND TABLE B: ENCOURAGING INVESTMENT IN LDC'S

The round table noted the valuable contribution relating to promoting investment in LDC's contained in the "*Integrated Framework for trade-related Technical Assistance, including for Human and Institutional Capacity Building, to Support Least-Developed Countries in Their trade-Related Activities*" (WT/LDC/HL/1/Rev.1).

The roundtable also drew upon the valuable work of UNCTAD in its *Encouraging Investment in Least-Developed Countries* (WT/LDC/HL/5) which was considered as a basis for the discussions and recommendations of the round table.

The presentations of the panelist and discussions were organized to firstly allow for an input by the private sector on what they considered necessary and how investments could be increased in LDCs. This was followed by panelist who provided perspectives from the view of an LDC government, international finance agency and a developed country which is very active in providing support to and investing in LDCs.

The discussions in the round table concentrated around three broad areas:

#### **The Importance of and Processes related to Good Governance**

The discussions highlighted the importance of good governance in contributing towards the necessary environment to attract domestic and foreign investment. The meeting also underscored the need for investors, bilateral partners and multilateral agencies to encourage and support the processes which constitute the functioning of such good governance.

#### **The Mix of Investment Financing**

The discussions revealed the increasing complexity of the mix of investment financing in developing countries. Domestic private investment was viewed by delegates as the centre-piece around which international financial flows, risk guarantees, insurance schemes and ODA are related.

#### **Partnerships for Growth and Development**

To realise the goal of increasing investment in developing countries, three different types of partnerships were discussed:

- Public-private partnerships within LDCs
- Private sector partnerships with external firms
- Partnerships with external developmental agencies and developing counterparts in the public, private and NGO sector in developing countries.

Using these partnerships to shape the action agenda, as well as to exchange views, can be a force for progress in encouraging investment.

The following are more specific recommendations for consideration by the appropriate intergovernmental organizations as well as to the governments of the LDCs and their trading partners:

- I. The High-Level Meeting recognized the importance of macro economic stability for attracting investment and recommends as elements of an appropriate investment climate:

straightforward, administratively simple and non-discriminatory investment codes, which provide a set of basic guarantees to investors, whether foreign or domestic;



uniform and competitive corporate tax rates with a minimum of exemptions and concessions;

investment promotion agencies (IPAs) to formulate investment promotion strategies, market the country as an investment location and target specific investors, adopting the 'best practices' of successful IPAs elsewhere;

financial sector liberalization and the promotion of institutional structures and regulations for the development and supervision of capital markets and a sound banking system;

strengthened regional integration efforts, consistent with WTO-obligations, in order to expand the size of the potential market available to investors;

competition legislation and the establishment institutional frameworks for the effective prevention of harmful anti-competitive practices.

II. The High-Level Meeting recommends for consideration by the governing bodies of multilateral agencies that the agencies provide technical and, where appropriate, financial assistance to:

- (a) evaluate and rationalize investment incentive schemes in LDCs;
- (b) enable LDCs without national stock exchanges to determine the viability of establishing their own stock exchanges, or alternatively of establishing exchanges on a regional basis or joining an already established stock exchange within the region;
- (c) support institutional capacity building for investment promotion.

III. The High-Level Meeting also recommends to:

- (a) multilateral agencies to enhance their collaboration, as in the case of UNCTAD, UNIDO, MIGA and WAIPA (World Association of Investment Promotion Agencies), in facilitating the exchange of national experiences in investment promotion and encouraging the adoption of 'best practices' in LDCs;
- (b) IFC to intensify its efforts to identify viable private sector investment projects in LDCs and to mobilize finance for these projects;
- (c) the World Bank Group to further develop its Action Programme to Facilitate Private Involvement in Infrastructure, creating a synergy between public and private investment, while giving priority attention to LDCs;
- (d) UNCTAD to continue its research on opportunities and constraints for LDCs to attract investment, whether foreign or domestic, and to formulate policy options;
- (e) countries to avoid double taxation of their nationals, by allowing investors from their own countries to offset corporate tax paid in LDCs from home country tax liabilities.

IV. The High-Level Meeting recommends that multilateral and bilateral donors:

- (a) support LDCs in establishing and maintaining investment codes;
- (b) support LDCs in strengthening financial system regulation, including through capacity building;
- (c) establish programmes to enhance the technical and managerial skills of domestic private sector investors;
- (d) support the strengthening of private sector institutions in LDCs such as Chambers of Commerce, organizations of co-operatives, exporters' associations et cetera;
- (e) support institutional capacity building in the agencies within LDCs charged with investment promotion and regulation.