

WORLD TRADE ORGANIZATION

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Sub-Committee on Least-Developed Countries First Meeting 17 October 1995

NOTE ON THE PROCEEDINGS OF THE FIRST MEETING

Prepared by the Secretariat

1. The First Meeting of the Sub-Committee on Least-Developed countries was held on 17 October 1995 under the Chairmanship of Miss Anne Stoddart (United Kingdom). Proposing the adoption of the agenda in WTO/AIR/166 she said that under Item B (Organization of Work), the Sub-Committee would need to adopt the rules of procedure and the Draft Programme of Work. She indicated that Members and Observers would be given the opportunity to make statements under this item of the agenda. It was agreed that the delegate of Norway would make a statement under the item Other business. The Agenda was adopted.

2. The Deputy Director-General, Mr. Jesús Seade, in an opening statement pledged the full commitment of the WTO to implementing the provisions in favour of least-developed countries (LLDCs) in the Ministerial Decisions. The WTO would keep under regular review the impact of the results of the Uruguay Round on LLDCs, and play an active role in formulating appropriate policy responses to their special problems and needs. The very small share of LLDCs in world trade left them on the fringes of the multilateral trading system. Market access, measured by tariff cuts resulting from the Uruguay Round on products of export interest to LLDCs, were less than global averages. Members of the Sub-Committee must he said, highlight policy initiatives that were needed to increase the trade of LLDCs. He said the widening and deepening of preferences under the Generalized System of Preferences (GSP) and the elimination tariff escalation would lead to an expansion of exports and diversification into higher value-added products; countries which did not grant preferences to exports of LLDCs could be encouraged to do so. The Sub-Committee could urge that inappropriate resort to contingent protection measures against LLDC exports be avoided. It could also consider measures which could strengthen the efficiency and competitiveness of infant service sectors in LLDCs, and facilitate easy and swift access by LLDCs to information networks and distribution channels and to technology.

3. He said the WTO gave high priority to the need of LLDCs for technical assistance. Such assistance had included technical missions to assist in the preparation of Uruguay Round commitments in the goods and services sectors; seminars on the implications of the Uruguay Round package and on the WTO legal framework; technical assistance to individual countries to evaluate Uruguay Round benefits; the provision of data and trade information on new opportunities for exports and GATT/WTO trade policy courses for participants from LLDC countries. Looking to the future, Deputy Director-General said the WTO would improve coordination with other international organizations; and as evidence of the new spirit of cooperation, representatives of two such organizations, the International Trade Centre (ITC) and United Nations Conference on Trade and Development (UNCTAD) would address the Sub-Committee.

4. The Deputy Director-General thanked the EU for funds which would finance a series of sub-regional seminars for African, Caribbean and Pacific (ACP) countries. He also thanked Norway for setting up a Trust Fund which would be used to finance new technical assistance programmes for the benefit of LLDCs. He urged Sub-Committee members to support WTO initiatives, implement measures to reduce barriers to trade of LLDCs and to take bilateral initiatives in multilateral organisations to encourage the provision of finances needed by LLDCs to adjust to the new trading environment.

5. The Deputy Director-General stressed the importance of LLDCs adopting policies which would generate jobs and fight inflation. He encouraged them to follow open-market policies and reject protectionism. Alluding to the fact that the problems of LLDCs were high on the international agenda, he called for active participation of all Members in the Work of the Sub-Committee and invited written suggestions from them on its future work.

6. The representative of UNCTAD pledged the full commitment of his organisation to the work of the Sub-Committee. He noted that the Programme of Action For the LLDCs for the 1990s had designated UNCTAD as the focal point in the UN system for the follow up, review and monitoring of progress, and said that notwithstanding expectations when this programme was launched, the economic and social performance of LLDCs had declined. Their export trade which was characterised by a high concentration of primary commodities faced a much higher degree of competition and had declined; garments were among the few manufactures exported by LLDCs. As they faced new challenges in a changing global environment, they needed added international support.

7. The technical cooperation activities of UNCTAD, he said, focused on the integration of these countries into the international trading system by improving policy design and development, strengthening negotiating capacities, assisting institution building and improving human resources. Technical cooperation was delivered mainly through UNCTAD's Trade Efficiency Programme (The Trade Point Global Network), the Customs Computerized Programme - Automated System for Customs Data (ASYCUDA), the Database on Trade Control Measures disseminated through TRAINS (Trade Analysis and Information System; and a training programme TRAINSFORTRADE; and specific trade related technical assistance projects.

8. The LLDCs 1995 Report published by UNCTAD included analytical work: on issues of trade liberalization and economic performance in LLDCs; on the international trading environment in which LLDCs have to compete; on the implications for LLDCs of the Final Act of Uruguay Round; on improvements in the GSP; and, on the impact of devaluation in the Franc zone (an initial assessment). This report and a report analyzing trade diversification in a number of African and Asian countries were background documents for the High-Level Intergovernmental Meeting on Mid-Term Review of the Implementation of the Programme of Action for the Least Developed Countries for the 1990s (New York, 26 September - 6 October). This meeting had called for concrete action on the Marrakesh commitments to the LLDCs and net food-importing countries and asked that analytical work and technical assistance provided by UNCTAD be "refocused and adjusted and wherever intensified to take advantage of the new trading environment created by the conclusion of the Uruguay Round". It had also identified priority areas for technical assistance:

- (i) enhancing institutional and human capacities to comply with the new obligations arising from WTO membership or assist LLDCs to accede to the WTO as well as to formulate and implement future policy;
- (ii) developing and strengthening supply capabilities of tradeable goods and services and the competitiveness of enterprises;

- (iii) improving the micro-economic trading environment and expanding the use of new communication technologies in the service of trade through UNCTAD's "trade efficiency" programme;
- (iv) enhancing the capability to make full use of GSP schemes;
- (v) supporting commodity diversification and marketing efforts;
- (vi) expanding the trading and investment opportunities of LLDCs, in particular, by identifying new trading opportunities which could be done, *inter alia*, through import promotion agencies conducive to attract foreign investment, and through advice and technical support".

9. An Ad Hoc Working Group had met in October to consider the "Trading Opportunities in the New International Trading Context" for LLDCs. The forthcoming 22nd Session of the Special Committee on Preferences would consider areas for improvements in GSP schemes for LLDCs. Referring to a programme undertaken jointly by UNCTAD, ITC, and WTO, he reiterated their commitment to strengthen cooperation and avoid duplication.

10. A representative of the ITC referred to their long experience with the particular problems and constraints faced by LLDCs. Technical assistance in trade promotion and import rationalization carried out by the ITC were severely handicapped due to the diminishing flow of funds. The ITC had identified LLDCs as main target beneficiaries; and priorities were defined on the basis of their needs. They worked most of the time with the business sector at enterprise level and dealt with practical issues of international trade.

11. The innovative methodologies developed by ITC to promote south/south trade and intra-regional trade were directly relevant to LLDCs. The conclusion of Uruguay Round, the continuing liberalization of trade, the development of new telecommunication techniques, the growing importance of foreign direct investment, the adoption by LLDCs of policies to encourage growth and trade diversification, had all transformed the world trading environment and increased the importance of ITC's role in providing necessary assistance to LLDCs. The ITC believed that their practical demand driven approach to technical cooperation enabled export enterprises in LLDCs to build capacities and take advantage of the enabling environment and assisted governments to implement necessary policy reforms. It also enabled LLDCs to identify and take advantage of new trading opportunities. The ITC worked closely with WTO and UNCTAD to increase the awareness of LLDCs of the post-Uruguay Round trading environment and it would continue to work closely with them in getting best use of the available resources for technical assistance to LLDCs.

12. Three programmes had been initiated by ITC for benefit of LLDCs. A programme aimed at the diversification of LLDC exports to meet new opportunities arising from the growing importance of intermediary products in international trade, and from the tendency for production processes to be relocated in more competitive areas; a programme that identified new opportunities for LLDCs from the development of south/south trade and intra-regional trade; a programme in cooperation with UNCTAD, for and on LLDCs, offering service and market information through a central trade information facility and for developed country importers offering information on LLDC export capacities. In addition, the ITC has undertaken integrated country specific programmes in trade promotion and import rationalization in response to requests from LLDCs. Noting the need of LLDCs to build necessary capacities and offset supply constraints, he stressed the importance of adequate funding over longer periods of time.

13. The Director of the Technical Cooperation and Training Division gave detailed information on ongoing and future technical assistance programmes for LLDCs and underlined the high priority given to their needs. In the past, assistance had related to three main areas: (i) technical missions during the concluding phases of the Uruguay Round, to help countries prepare individual schedules on goods and services, (ii) data and trade information, including tariff evaluation of Uruguay Round results for exports of interest to LLDCs, and (iii) workshops and seminars in capitals to facilitate participation in the WTO system. Priority has always been given to LLDC participation in training courses.

14. Looking to the future he said programmes of technical assistance for Africa would be carried out jointly with ITC and UNCTAD. A series of sub-regional seminars financed by the EU, were planned for ACP countries, which included many LLDCs. The funding made available by Norway would be devoted mainly to activities related to training, institution and capacity building, research and analysis, the utilization of information technology; the implementation of WTO disciplines and obligations, the revision of legislation, the need for assistance regarding notification requirements, adjustment to harmonized system in schedules, accession, integrated database (IDB) and harmonized system, as well as agriculture and trade-related aspects of intellectual property rights (TRIPS). In addition, as a major extension of the technical assistance carried out so far, trade policy courses would be organized in various regions; studies, in cooperation with other organizations, were also envisaged for products of specific interest to individual countries.

15. The Sub-Committee decided that its rules of procedure would follow *mutatis mutandis* the rules of procedure of the Committee on Trade and Development (WT/COMTD/W/3). With respect to the frequency of meetings, it was agreed that provision would be made for holding two meetings a year, it being understood that the Sub-Committee would meet more frequently when necessary.

16. The Sub-Committee agreed that it would report regularly to the Committee on Trade and Development.

17. The Sub-Committee further agreed that under Rule 33 on decision-making, in the event of a lack of consensus in the Sub-Committee the matter would be relayed to the Committee on Trade and Development, which in turn would transmit the matter to the General Council, if it was unable to arrive at a consensus.

18. The representative of Bangladesh, speaking on behalf of least-developed countries, noted the increasing marginalization of LLDCs in world trade. Real GDP growth rate had declined in the 1990s. The share of LLDC exports had declined to 0.3 per cent in 1993 compared to 0.6 per cent in 1980s. A High Level Intergovernmental meeting held in New York recently had considered the external trade and investment prospects for LLDCs and the implications for LLDCs of the Final Act of the Uruguay Round; it had recognized the liberalization efforts undertaken by LLDCs despite many structural constraints. He reminded the Sub-Committee of the commitment of the international community to assist LLDCs financially and technically, and to a series of supportive measures to help diversify trade and promote exports. These measures called for the improvement of GSP schemes; the full implementation of decisions in the Final Act of the Uruguay Round on special and differential treatment for LLDC and net food-importing countries; the provision of a "safety net" to help LLDCs cope with any adverse effects flowing from the implementation of the Uruguay Round agreements; the exemption of LLDCs from anti-dumping, countervailing and safeguard measures; the exemption of LLDCs from all restrictions in the textile and clothing sector during the transitional period; and priority to movement of labour from LLDCs.

19. Referring to a recent UNCTAD study, he said the combined trade deficit of LLDCs could deteriorate by between \$300 and \$600 million per year and by \$3 billion in five years time. UNCTAD

he said was engaged in very substantial work on the needs and problems of LLDCs and he requested the WTO's cooperation in such work. In conclusion, he said that the tremendous work before the Sub-Committee required the cooperation and participation of major trading partners, and he looked to members of the Sub-Committee to take the lead.

20. The representative of Zambia, said the establishment of the Sub-Committee showed the commitment of the international community in reversing the marginalization of LLDCs in the global economy. The United Nations Secretary-General, when he opened the recent High-Level Intergovernmental Meeting in New York, had said that the driving force for development must come from within each country, and he agreed with him. Even though LLDCs had rejected inward looking policies and accepted trade as an engine of growth, structural weaknesses in their economies prevented them from taking advantage of new trade opportunities.

21. The external debt of African LLDCs in 1993 stood at \$96.7 billion and the ratio of total debt to GNP was 130 per cent; in nominal terms the ratio of total debts to exports of goods and services worsened from 389 per cent in 1985 to 565 per cent in 1993. The debt problem prevented them from investing in new technology to increase the production of goods and services for export, thus generally undermining their efforts to strengthen supply capacities and perpetuating the cycle of poverty. He asked the Sub-Committee to consider specific measures to promote the expansion of trade and investment opportunities for LLDCs.

22. Most LLDCs he said were net food-importing countries. A recent Food and Agriculture Organization of the United Nations (FAO) report had showed that the cereal import bills of low-income food-deficit countries would go up from \$12 billion in 1994/95 to about \$15 billion in 1995/96. The Sub-Committee, he said should take a leadership role in working out how to give effect to the decision on net food-importing countries.

23. The Sub-Committee, he said, should also be a source of new ideas; it should promote and safeguard the interests of LLDCs and to ensure that no new barriers were erected to their trade. He looked forward to working with their trading partners to achieve these goals.

24. The representative of Norway, welcoming the establishment of the Sub-Committee, underlined the importance his country attached to the issues with which it was dealing. As it had always done, Norway would continue to give special attention to the situation of the LLDCs and play an active role in the work of the Sub-Committee. The recent High Level meeting while noting the declining share of LLDCs total trade had noted that in the long run, the increased transparency of trade regimes and reduction of trade barriers that resulted from the Uruguay Round agreements would provide, increased opportunities for LLDCs. Norway believed that for there to be a truly multilateral framework for international trade, the WTO system must be one in which the LLDCs also participated; and one from which they also benefited.

25. Agreeing that the draft work programme covered the tasks entrusted to the Sub-Committee, he sought clarification on the role of the Sub-Committee in the reviews relating to LLDCs required by the Ministerial Decision on Measures in Favour of Least-Developed Countries, and in the follow-up action to the Ministerial Decision on Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Countries in the Committee Agriculture. The obligations placed on Members by these two decisions were important to preserve the trust of developing countries and least-developed countries in the WTO system. Looking forward to substantial work, he called on the Sub-Committee to consider what it would wish to achieve by the time of the Singapore Ministerial Conference.

26. The Chairman said it was the role of the Sub-Committee to review the provisions for LLDCs Ministerial Decisions; and to report to the Committee on Trade and Development. As regards to the review called for by the Ministerial Decision on the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Countries, she thought that in addition to the Committee on Agriculture, this Sub-Committee and the Committee on Trade and Development had a role.

27. The representative of Argentina said the Ministerial Decision on the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Countries refers only to the Ministerial Conference and the Committee on Agriculture. He said very long discussions in forums that overlap each other would dilute the urgency of these important issues and asked the Sub-Committee to concentrate on drawing up realistic and concrete proposals dealing with the very urgent issues set forth in the interventions by Bangladesh, Zambia and UNCTAD.

28. The representative of the European Communities reiterated the importance it placed on provisions in the Ministerial Decisions relating to least-developed countries, and to the work of the Sub-Committee. He emphasized the need to liaise with the Chairman of the Committee on Agriculture, whose Committee was already considering the issue, pursuant to the role assigned to it in the Ministerial Decision on the Possible Negative Effects of the Reform Programme on Least-Developed and Net Food-Importing Countries.

29. The representative of Malaysia, speaking on behalf of ASEAN countries, welcomed the attention being given to issues concerning the development objectives of least-developed countries. They looked forward to an honest implementation of the commitments to LLDCs whether in the context of the work of this Sub-Committee or in the context of the implementation of other Uruguay Round commitments. He assured the representatives of Bangladesh, Zambia and UNCTAD, that ASEAN would play a constructive role in this Sub-Committee and in all other fora. ASEAN appreciated the efforts of Norway and their commitment to help the WTO in its quest to integrate LLDCs into the global economy.

30. Speaking on behalf of Malaysia, he said they had a modest technical cooperation programme aimed at giving assistance in capacity building in the area of development administration. Trainees from least-developed countries and the Pacific Island countries had used their programmes and they hoped to increase assistance to LLDCs in the future. He called on fellow members of ASEAN to take similar action to aid LLDCs.

31. The representative of Australia took note of the interventions by Bangladesh, Zambia and the representatives of UNCTAD, ITC and WTO and promised to play an active role in the work of Sub-Committee. She said she shared Argentina's concern regarding the possible negative effects of discussions of important issues in various fora.

32. The representative of Egypt supported the draft programme and looked forward to an active role in helping to increase participation of LLDCs in the trading system. He said the issues before the Sub-Committee were urgent and while he was not overly concerned with the danger of overlapping discussions, he agreed with the representative of the European Communities on the need for coordination with the Committee on Agriculture.

33. The Chairman said while she shared the concerns regarding overlapping discussions in various fora, she was certain there was a role for the Sub-Committee. She assured members that she would liaise with the Chairman of the Committee on Agriculture on the work they were doing so unnecessary duplication could be avoided. She did not think the Sub-Committee could tie itself to a specific timeframe for reporting to the Committee on Trade and Development.

34. The Sub-Committee adopted the Draft Work Programme.

35. The representative of Norway announced an initial contribution of \$2.5 million to establish a fund within the WTO to assist poorer and least-developed countries, particularly those in Africa to participate more actively and effectively in the WTO. He said it was a response to the Decision by Ministers at Marrakesh that "the least-developed countries shall be accorded substantially increased technical assistance in the development, strengthening and diversification of their production and export base including those of services, as well as trade promotion, to enable them to maximize the benefits from liberalized access to markets". He said the WTO should work in collaboration with the UNCTAD and ITC to make the most efficient use of resources. He further stated that it was a major challenge to ensure that LLDCs could, alongside other Members, play an active part in the WTO and take advantage of the many opportunities offered by the Uruguay Round agreements. Encouraging other Members to follow Norway's example, he said Norway was in dialogue with the Secretariat to ensure that the WTO would in collaboration with UNCTAD and ITC make the most efficient use of resources. He looked forward to receiving more information in writing on the ideas presented by the Director of the Technical Cooperation and Training Division. In response to the assurance sought by the representative of Bangladesh that the fund would be used exclusively for the benefit of LLDCs, he would, after consulting his capital, make a statement in writing to members of the Sub-Committee through the WTO Secretariat.

36. It was agreed that the Second Meeting of the Sub-Committee should take place on 27 February 1996.

37. The Chairman requested members to communicate in writing to the Secretariat their priorities in regard to the work programme. In the light of such communications and the discussions at today's meeting, she would consult with delegations on an appropriate agenda for the next meeting and the preparatory work that could be undertaken by the WTO Secretariat.