



Agency for International Trade Information  
and Cooperation

February 2008

## **Report on AITIC *Flash Meeting***

### **The Doha Negotiations: Potential Benefits for the Least-Developed Countries (LDCs)**

Friday, 14 December 2007, 10.00 – 13.00  
Centre de Conférences de Varembe, Room A

#### **I. Introduction and Objectives**

1. AITIC held a *Flash Meeting* on “The Doha Negotiations: Potential Benefits for the Least-Developed Countries (LDCs)”. The meeting provided a timely opportunity to have an interactive session to discuss progress made on issues of relevance to LDCs, mostly in the negotiations under the Doha Work Programme (DWP). It is two years since the Hong Kong Ministerial Meeting took important decisions contained in Annex F for the benefit of LDCs. This Flash Meeting was organised as several LDC delegates requested more information and discussion on the specific question of progress on the duty-free quota-free (DFQF) initiative in favour of LDCs and of the other special and differential (S&D) treatment issues included in Annex F.

2. Among the panel of speakers were: Ms Pradnya Deshpande (Permanent Mission of the United States); Mr Shinichi Asazuma (Permanent Mission of Japan); HE Mr Jean Feyder, Ambassador of Luxembourg to the UN and Chairman of the WTO Sub-Committee on LDCs; HE Dr Anthony Mothae Maruping, Ambassador of the Kingdom of Lesotho to the UN and Coordinator of the WTO Group of LDCs in Geneva; and Mr. Abdoulaye Sanoko (Permanent Mission of Mali). The meeting was chaired by Dr Esperanza Durán, AITIC’s Executive Director. The panellists, along with the discussants, presented a wide range of perspectives on realising the potential benefits of the Doha negotiations for the LDCs.

3. The focus on agriculture and non-agricultural market access tends to divert attention from actions and concrete results in other no less important areas, such as Rules. The Flash Meeting aimed to clarify key issues, describe current positions and allow for an exchange of views on them.

## **II. Reality Check on LDCs**

4. In all discussions, participants underlined the reality that describes the situation of LDCs. Briefly, following are some of the key characteristics:

- high levels of poverty
- weak physical infrastructure (like roads, electricity and drinking water)
- weak social infrastructure (like health and education)
- vast majority of people in rural areas, mostly small farmers
- a narrow industrial base
- productivity extremely low
- a small market-size
- most exports are low value-added commodities
- high food imports to the tune of USD 30 billion

## **III. Annex F of the Hong Kong Ministerial Declaration**

### **A. The US position – Ms Pradnya Deshpande (US Mission)**

5. Ms Pradnya Deshpande stated that the US is committed to achieving a successful outcome in the Doha negotiations which create new economic opportunities that catalyse further economic growth, particularly in the developing countries. Growth is the key that spurs new opportunities and new trade flows in agricultural and industrial goods, and services. In the current negotiations, the WTO can play a vital role in efforts to broaden and deepen the benefits to the developing world.

6. WTO rules give domestic policy makers tools to turn back protectionist measures that halt innovation, create disincentives to trade, keep costs high and limit access to goods and services, particularly in poor segments of society. All countries need this kind of leverage to turn back protectionist measures. The Doha negotiations give a once-in-a-generation opportunity to strengthen global economic growth and contribute to poverty reduction.

7. In Hong Kong, WTO members agreed to provide DFQF market access to products originating in LDCs. The US agreed to implement the DFQF obligations contained in Annex F in conjunction with implementing the results of the Doha talks. The US remains committed to that. It is actively working on implementing the decision in a fully transparent manner that results in commercially meaningful opportunities for LDCs. And it takes seriously the need to address the full array of factors to contribute positively to its utilisation.

8. As part of implementing this decision, a few months ago US Federal Register solicited comments from the public. Studies are also being done by the US government to analyse the impact of DFQF implementation on the US economy and also the impact on the economies of its trading partners. An internal review of the findings is in progress. An important part of that review is to know what will happen to tariffs as a result of the negotiations in agriculture and NAMA. That is an essential piece of the puzzle in that review – on how to best implement this decision.

9. Implementing of Annex F commitments will complement ongoing US efforts to foster further integration of developing countries and LDCs in the multilateral trading system (MTS). Duty-free access is provided for thousands of products through several programmes including AGOA, the African Growth and Opportunity Act, the Andean Trade Preference Act, the Caribbean Basin Trade Partnership Act and the Generalised System of Preferences (GSP).

10. The US GSP programme provides preferential duty-free treatment for 3400 products from a 131 currently designated beneficiary countries and territories. In addition, 1400 articles supplied by LDC beneficiary countries receive duty-free treatment. The AGOA and GSP programmes entail simple and transparent rules of origin, which allows for greater utilisation of preferences by exporters facing capacity constraints.

11. The US is also active on a number of other fronts. These include promoting broad-based multilateral trade reforms conducive to supporting the integration of trade strategies into development plans of national authorities and providing significant amounts of capacity-building assistance.

12. The US experience with AGOA and other preference programmes suggests that many issues are at play in determining whether preferences are producing benefits to countries. The US's trade capacity-building programmes in developing countries encourage greater realisation of the benefits of the trading opportunities provided. These programmes include efforts aimed at rationalising and harmonising trade policies, regulations and procedures and their availability and access to crucial market information, promoting greater diversification of exports, and organising and networking regional traders and farmers to take advantage of the actual trading opportunities that come out of these measures and the market access provided.

13. Both the GSP and AGOA programmes involve outreach efforts to increase the utilisation of preferences extended. For example, three global competitiveness hubs in sub-Saharan Africa provide specialised assistance to current and prospective exporters on AGOA – how to better use the programme. In addition, in many of the AGOA beneficiary countries, there are partnerships with Chambers of Commerce and other local organisations to operate AGOA resource centers relating to export promotion. The hubs and AGOA resource centres have responded to requests from national governments, customs and other officials on procedures to comply with US export requirements, including information related to quality certification, packaging, pricing, marketing and financial management. Information on the US GSP programme is translated into eight languages. Seminars for nearly forty developing countries and LDCs were held in 2007 on how to use the GSP programme as well as on individual countries' key potential exports under the preference programme.

## **B. Japan's position – Mr Shinichi Asazuma (Mission of Japan)**

14. Mr Shinichi Asazuma started his presentation by remarking that Japan is committed to the successful conclusion of the negotiations under the DWP and especially in looking at trade as a development initiative for developing countries, particularly the LDCs. The Annex F of the Hong Kong Ministerial Declaration is

itself a kind of S&D treatment. Economic growth is critical for development of LDCs.

15. Aid for Trade (AFT) is a comprehensive concept. Japan announced this initiative at the Hong Kong Ministerial Conference in 2005. Japan's AFT initiative is a comprehensive package for developing countries, especially LDCs, with a view to achieving economic growth. But AFT itself is complex. Many discussions have been held on its definition, how to measure the aid flows and on its additionality. Last month, at the global review meeting of AFT (21-23 November 2007), it was clear that AFT initiative means "Aid for trade for development". Japan is engaged in policy dialogue with concerned capitals and also in efforts to promote two-way trade.

16 Japan has emphasised that development through trade includes: production, distribution and purchase. Japan's initiative encompasses these three aspects. The supply side support is capacity-building in production and processing for exports in farming, policy for and operation of small and medium enterprises (SMEs) and micro-businesses. Related to distribution is trade-facilitation and building adequate infrastructure. Distribution is for export support which directly benefits the producers in establishing marketing channels. This is especially important for the land-locked developing countries (LLDCs) and the African LDCs.

17. Last March, the Japanese Diet approved the relevant Bill on customs and tariffs. As a result, from 1<sup>st</sup> April 2007, DFQF market access for LDCs was instituted, increasing coverage especially of agricultural products. The coverage of tariff lines was extended from 7,758 to 8,859. This makes up 98 per cent of all imports from LDCs. The details are explained in a document submitted to the WTO. This DFQF treatment is an integral part of the comprehensive initiative for development. Japan says its rules of origin are already very simple and transparent but is willing to undertake further consultations.

#### **IV. Work in the WTO Sub-Committee on Least-Developed Countries – HE Mr Jean Feyder (Mission of Luxembourg)**

18. The Chairman of the Sub-Committee on LDCs explained that this body was established about 12 years ago, and it is the main organ within the WTO working on LDC issues. The forum not only permits LDCs to prepare and present their positions but also engage with the developed and other partners on a regular basis. Its work programme includes the following key elements and emerging challenges:

- (i) *Market access* (DFQF): The implementation of the decision on providing DFQF market access to exports of LDCs, as contained in Annex F of the Hong Kong Ministerial Declaration, is often discussed.
- (ii) *Non-tariff barriers* (NTBs): Access to a market can effectively be denied through the NTBs. So the Sub-Committee often examines the obstacles being encountered and seeks means either to eliminate

them or, with the help of the participation of those developed countries that set standards and rules of origin, to overcome them.

- (iii) *Technical assistance and capacity building:* The institutions prepared to assist LDCs and to offer their technical and institutional cooperation are invited to the Sub-Committee. A regular review of the Enhanced Integrated Framework (EIF), a multi-institutional initiative to help streamline trade in national development strategies, is also conducted within the Sub-Committee.
- (iv) *Accessions:* The WTO welcomes all the 30 remaining LDCs to become members. 11 are in the process of accession. The process is reviewed by the Sub-Committee and a progress report prepared. Countries involved can present their concerns regarding their accessions process.
- (v) *Implementation of 2001 Ministerial Declaration for LDCs:* A regular review is undertaken to ascertain progress on Doha Ministerial Declaration as it relates to LDCs. That takes note of the Zanzibar Declaration adopted by LDC Ministers in July 2001 and the Third UN Conference on LDCs in Brussels in May of the same year. The WTO also prepares briefing notes and analyses on the topics of interest to the group.
- (vi) *The evolution of trade and trends in LDCs:* An important discussion that has started in October 2007 and will continue in 2008 relates to critical perspectives that trade trends afford. For instance, trade in LDCs has increased considerably in the last few years, 50 per cent of that increase has been accounted for by petroleum products and minerals. And only five countries accounted for more than half of the total LDC exports in 2005. The European Union (EU) and the US are the main destinations. China is third. Thailand and India are also important markets.
- (vii) *Increasing access to industrial goods market:* Recent experience from the textile sector in Cambodia and Bangladesh provide encouraging signs. While Cambodia has tripled its exports in textiles in the last 6 years, Bangladesh has doubled its textiles exports which are now worth about USD 10 billion. But aside from Cambodia and Bangladesh there is no other striking example of the use of this labour-intensive sector. *Developing the agro-industries potential:* With 70 to 80 per cent of people working in agriculture, LDCs faced a huge deficit in agriculture – met through food imports worth USD 30 billion. This is likely to increase by 10 per cent in 2007 with rising prices of food and food products. Even a recent World Bank report on agriculture affirms that more than any other sector, agriculture is far more efficient to fight poverty.
- (viii) *Encouraging regional markets:* While the EU trade is more than 50 per cent intra-European trade, in Africa, less than 10 per cent trade is estimated to be inside Africa, except perhaps within the ECOWAS.

This could be underestimating informal trade but clearly there are problems of countries producing similar products, little product diversification and weak infrastructure.

- (ix) *AFT offers new opportunities*: AFT is a tool and certainly in itself a means for promoting development. One of the biggest challenges for the LDCs and for development is to diversify exports as well as production. There are definitely new opportunities within AFT as was clear at the recent Global Review meeting in Geneva (21-23 November 2007). It is for each country to decide and to define its own actions and policies.

## **V. The LDC Perspective – HE Dr Anthony Mothae Maruping (Mission of the Kingdom of Lesotho)**

19. The Coordinator of the LDC Group, Dr Maruping, stated that the potential benefits for LDCs from the Doha negotiations will depend on the degree to which the submissions filed by the LDCs are accepted and when agreed to, on how they will be implemented. There is a sense that now there is full engagement, and therefore the beginning of progress. The aim of negotiations under the DWP is to 'level the playing field'. But even after the field is levelled, the players are not the same. Some are in premier league and others way down, with LDCs perhaps in the D league. There would be a mismatch rather than a match. That is why this special dispensation has been thought of for LDCs and for some other developing countries.

20. *No tariff commitments*: The LDCs are not expected to undertake any tariff commitments to ensure protection of their very fragile infant industry. But given the structure of the LDCs, they rely heavily for their public revenue on indirect taxes. Tariff duties are part of this. If pulled off before there is a diversification, they will have a public revenue problem. So LDCs were only urged or exhorted to bind to the degree possible. But the LDCs did that even before the DWP, as part of the structural adjustment programmes (SAPs). Many LDCs bound their tariffs and embraced many other liberalising measures such as opening up their services sectors. As a result, the market for many services in the LDCs is already open and being exploited.

21. *DFQF market access*: It was stated in Hong Kong that those who could give 100 per cent access should do so and those who have difficulty complying should do so for at least 97 per cent. But there was an oversight as no time limit was set for reaching the 100 per cent target. The result of this ambiguity has given rise to mixed reactions. Some have already given nearly 100 per cent – the EC. Canada has agreed to 99 per cent. Japan, in April of this year, increased DFQF to 98 per cent and disclosed what tariff lines were in the 2 per cent. The US is still considering – going through their process. Some are implementing the DFQF decision immediately. Still others will await the conclusion of the Doha negotiations as they say this is part of the Single Undertaking. *Rules of origin*: As some rules of origin can be so stringent, market access can be 'a double-locked door'. DFQF combined with stringent rules of origin is no offer at all because it cannot be taken advantage of. The LDCs request for rules of origin to be simple and transparent

has met with all sorts of interpretations. Some have asked for harmonisation – but that is a controversial proposal.

22. *TRIMS and Trade Facilitation:* The LDCs would like, for the time being, to be exempted from these disciplines because they do not have the capacity to comply with all these obligations and highly demanding requirements. This calls for temporarily – technical assistance and in the long run – capacity building in a sustainable way. They would also need a lot of assistance as far as NTBs are concerned but they can go over those barriers and comply. That involves SPS and other standards.

23. *Technical assistance and capacity building:* They can be best and most effective if they are demand-led, needs-based and user-driven. Up to now, for most of the time, much has been spent on workshops – not looking at what was needed on the ground and whether it was done in a proper way. Capacity building has to be done in a manner that creates more human resource capacity – so that it is sustainable.

24. *Agriculture:* In agriculture, the LDCs would also like to use the Special Safeguard Mechanism (SSM) and they feel it should not be tied to trade liberalisation as LDCs are not required to make any commitments.

25. *Preference erosion:* It is not just the LDCs affected by the erosion of preferences but small vulnerable economies (SVEs) and others. The long-standing preferences, it is felt, have to be maintained for a reasonable time to give all these weak countries time to adjust to a new situation. While this is generally acceptable, differences exist on how long a time is necessary. There are attempts by some countries to lump LDCs together with other developing countries. This was described as unfair because the category of LDCs is a UN classification for good reason, namely LDCs' response rate cannot be compared with other developing countries.

26. *The Enhanced Integrated Framework (EIF):* As a successor to the Integrated Framework (IF), the EIF is for LDCs only and it is not part of the single undertaking. The IF actually predates the Doha negotiations, as it started in 1997. It has been growing with reviews until a decision was made to take a leap and move from IF to enhanced IF.

27. *Keeping EIF & Aid for Trade (AFT) separate from Doha negotiations:* The EIF and Aid for Trade should not be used as a 'dust bin' to throw in what cannot be solved in the Doha negotiations. As the EIF resources are limited, over and above that there will be need for a broader, more encompassing AFT. Developing countries, particularly LDCs, would like to see minimal conditions for accessing AFT. During the reviews, the main ones have been to mainstream and integrate trade in economic strategies of countries. That is a good requirement.

28. *Challenges ahead:* Trade in itself will not lead to development. It must lead to forward and backward linkages, even lateral so as to permeate the economy. If the DWP takes on board the submissions of the LDCs – that would merely open the window to further challenges. With low productivity and a narrow export base, there is need for diversification. Enormous supply-side constraints have to be

attended to – infrastructure (physical and institutional), legal and regulatory frameworks, among others. The recent rise in LDC exports is not because of fundamental improvements on these fronts. If the commodity prices go down, it is back to where they were before. The regional dimension is also important because the markets of LDCs are small. Regionally they can become a viable market, not just for themselves but also for others who want to access those markets.

## **VI. The Cotton Initiative – Progress to Date - Mr Abdoulaye Sanoko (Mission of Mali)**

29. At Doha in 2001, cotton was not specifically mentioned. The Cotton Initiative was launched in 2003 at the instance of four African LDC countries (C4 - Benin, Burkina Faso, Chad and Mali). Cotton for these four countries is absolutely irreplaceable. It is not just any commodity. The survival of millions of people depends on cotton. Cancun was not really successful. After Cancun, the 2004 July Package marked an important element as member states agreed that cotton must be dealt with “quickly, ambitiously and efficiently.” And when the WTO Cotton Sub-Committee was established, the question arose as to whether negotiations should happen in the Sub-Committee or if this body was created just to monitor progress. The issue has not been decided yet.

30. At the Hong Kong Ministerial Conference, a specific treatment for cotton was confirmed. It was decided that all subsidies to cotton exports be eliminated by developed countries by 2006. A lot of energy was expended with very little result. But in February after the World Economic Forum (WEF) in Davos took place, responding to the call of the Chairman of the Committee on Agriculture, the C4 presented a proposal based on a formula that would link cotton to the global result.

31. In July 2006, the WTO General Council formalised the suspension of negotiations decided by the Chairman of the Trade Negotiations Committee. The suspension was followed by a period of “quiet diplomacy.” In 2007, the resumption of normal negotiations followed the Davos WEF meeting. A “High-Level Session” took place on 15-16 March 2007 at the invitation of the WTO Director General, under his “Consultative Framework Mechanism on Cotton”. This was supported by several informal groups of developing countries, such as the LDCs and the G-90.

32. At this stage, there have been a lot of Green Room sessions to obtain desired convergences as quickly as possible. In the last Green Room meeting held on 19 November 2007, the US and EU were asked to come with concrete written proposals. While the EC has done it, the US has not yet come up with a written proposal. The C4 remains determined. The Bamako workshop held on 11 - 12 December 2007 allowed for useful exchanges and focused on developing cotton industries in Africa, especially promoting investments through South-South cooperation. The issue of trade negotiations and positions were defined. This has to be followed by an action plan. Among the participants were not just the C4 but 10 African countries – both Francophone and Anglophone, together with UNCTAD, UNDP, Exim Bank of India and Exim Bank of China.

## VII. Issues Raised in the Discussion

33. *Enlarging the DFQF canvas:* A participant commented that the scheme should include some developing countries which are now large markets. The DFQF access should be for as wide a group of developing countries as possible and into as wide a group of markets as feasible. But just counting the number of tariff lines does not do the job because excluding three per cent of the tariff lines can exclude in the US and Japan more than 98 per cent of the exports from the LDCs. Because their exports are very heavily concentrated in a few areas, the following areas were underscored:

34. *Standards requirements:* While standards requirements as part of the non-tariff barriers are seen as obstacles to LDC exports, some participants pointed out those high standards, particularly in agricultural products, can also have a beneficial aspect. Usually, products subject to higher standards attract higher prices. This could also allow LDCs to diversify their production and take advantage of the recent preferences for organic products. It was also pointed out that DFID (UK) has assisted producers in developing countries to meet such standards and that supermarket groups were being encouraged to take development concerns into account in formulating their own standards.

35. *Regional integration:* At the tariff level, it is important to encourage South-South trade with tariff reductions between developing countries. But regional integration is also part of the AFT agenda. Part of the reason why South-South trade, particularly that in Africa, does not take place is due to lack of infrastructure. That is something that regional AFT programmes can look at. It was also pointed out that in the last two weeks there was a discernible switch from the idea that EU should negotiate with regions - to sign individual bilateral agreements with different schedules of exceptions with various ACP countries.

36. *LDCs tariffs and openness:* In reaction to a suggestion that it would be in the interest of LDCs to undertake some commitments with regard to trade liberalisation, it was pointed out that LDCs' tariffs in agriculture are often lower than some of the tariffs of Japan or the EU. In other indicators like the trade openness index of the IMF, LDCs are quite open compared to other countries. Much of this was done as part of the SAPs.

37. *AFT: a way out of a vicious circle:* The main problem of LDCs lies in their low productivity and lack of investment in capital goods. They spend most of their foreign exchange on agricultural goods and do not have the means to invest in productive assets and infrastructure. Official Development Assistance (ODA) does not compensate for this because the share of international aid that goes into agriculture or infrastructure is decreasing, whereas the share of emergency aid is increasing. The AFT provides a means to shake out of this vicious cycle.

38. *The case of graduating LDCs:* The plight of the LDC members who are graduating out of the category was also flagged. What happens to them during the transition period of three years before they leave the category? It was argued that they should be allowed a soft-landing.

## List of Acronyms

|        |  |
|--------|--|
| ACP    | The African, Caribbean and Pacific Group of States             |
| AGOA   | The African Growth and Opportunity Act                         |
| AFT    | Aid for Trade  |
| C4     | The four cotton producers - Benin, Burkina-Faso, Chad and Mali |
| DFID   | Department for International Development, United Kingdom       |
| DFQF   | Duty Free Quota Free   |
| DWP    | Doha Work Programme  |
| EC     | European Communities   |
| EU     | European Union   |
| ECOWAS | Economic Community of West African States                      |
| EIF    | Enhanced Integrated Framework                                  |
| IF     | Integrated Framework   |
| IMF    | International Monetary Fund                                    |
| GSP    | Generalised System of Preferences                              |
| LDC    | Least-developed country  |
| LLDC   | Landlocked Developing Country                                  |
| MTS    | Multilateral trading system                                    |
| NAMA   | Non Agricultural Market Access                                 |
| NTBs   | Non-tariff barriers  |
| ODA    | Official Development Assistance                                |
| SAPs   | Structural adjustment programmes                               |
| S&D    | Special and differential treatment                             |
| SMEs   | Small and medium-sized enterprises                             |
| SPS    | Sanitary and Phytosanitary measures                            |
| SSM    | Special Safeguard Mechanism                                    |
| SVEs   | Small vulnerable economies                                     |
| TRIMS  | Trade Related Investment Measures                              |
| UNCTAD | United Nations Conference on Trade and Development             |
| WEF    | World Economic Forum   |
| WTO    | World Trade Organization                                       |

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