

# WORLD TRADE ORGANIZATION

RESTRICTED

WT/GC/W/137

26 January 1999

(99-0289)

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General Council

Original: English

## PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

### General Council Discussion on the Follow-up to the High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development 14 and 16 December 1998

*Communication from Egypt*

The following statement made by Egypt on behalf of the African Group at the Informal Intersessional General Council meeting on 14 December 1998 is being circulated at the request of that delegation.

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The African Group believes that despite some improvements in a few cases, the developments that have taken place in LDCs over the past few years have been a source of deep concern. The overall improvement in the economic performance of LDCs is not strong enough to arrest the threat of marginalization they face or reverse the decline of their contribution to the world economy and their share in international trade. The relative share of LDCs in world production and trade has not only remained insignificant but is also declining.

Even the sustainability of improved economic performance is questionable given the continued vulnerability of LDCs to external shocks, particularly adverse weather conditions and sharp fluctuation in the prices of their exports. The limited progress in export diversification makes LDCs especially vulnerable to the fluctuations and decline in world commodity prices and weather conditions leading to the deterioration of terms of trade to the detriment of developing countries and in particular LDCs.

For LDCs, two-thirds of which are in Africa, strengthening their capacity to effectively participate in the multilateral trading system requires a genuine and strong political will and a set of concrete measures and commitments by the international community in the following areas:

(1) Supply side constraints that hinder the ability of LDCs to diversify their production and exports, and prevent them from benefiting from existing trade preferences schemes, should be addressed through increased ODA, debt cancellation, technical assistance and capacity building, and technology transfer. These are means that would complement their own reform policies and efforts that are underway.

The severe shortage of external finance in LDCs, as a result of declining ODA and negligible FDI flows, has to be seen against the background of a very bleak debt problem. In 1996, the combined external debt of the 48 LDCs stood at 134 billion dollars, almost 90% of their combined GDP. The HIPC initiative should be made more flexible to enable more countries, particularly LDCs, to benefit from this initiative.

As for financial assistance, in 1996, ODA flows to LDCs fell to 0.05% of the total GNP of the donor countries in the OECD Development Assistance Committee down from 0.06% in the previous year. ODA dropped further to its lowest level in 1997 to around 0.025% of the GDP of the donor countries. A few countries, including the Nordic countries, met the UN target for official assistance to LDCs.

Although private investment flows could not replace ODA, LDCs received only 1.5% of FDI flows to developing countries in 1997. As a percentage of total inflows worldwide, their share was only 0.5%. It should be noted also that a large share of these flows went into capital intensive oil and mining-related activities in a few LDCs.

The decline in resource transfers to LDCs is bound to constrain the development prospects of their economies and should therefore be reversed.

(2) In the meeting of the General Council in October 1998 we raised the difficulties facing developing countries in general in the process of implementation of the URAs. The situation is compounded in the case of LDCs. The 1998 UNCTAD's Report on the LDCs rightly emphasizes the fact that LDCs have experienced difficulties in implementing the URAs. Some of these difficulties are:

- (a) Substantive obligations and notification requirements present major difficulties to LDCs particularly in light of their weak institutional infrastructure and under staffed civil services.
- (b) Establishing national institutions mandated by certain agreements represent a burden on the financial and administrative resources of LDCs.
- (c) In some cases LDCs were unable to benefit from the transitional period in TRIMs due to the lack of institutional capacity. This emphasizes the fact that LDCs are not benefiting fully from their rights under various WTO agreements.
- (d) Difficulties associated with the coherence between their WTO obligations and the reform programs undertaken with the international financial institutions.

In addition, the manner in which other WTO members implement various agreements, such as TBT, SPS, among others, may have an adverse effect on the export interests of LDCs.

LDCs must be assisted in overcoming the problems associated with the implementation of URAs. Adequate technical assistance must be expanded. Special and differential provisions in favour of LDCs must also be fully implemented. Furthermore, LDCs should be adequately assisted to prepare for future negotiations.

(3) The accession process imposes heavy burdens on the limited human and institutional capacity of acceding LDCs. Their human and institutional infrastructure must be strengthened to enable them to deal with these challenges. The process of accession for LDCs must be expedited and their terms of accession must ensure that they have comparable rights and obligations similar to those of current LDC members.

It is out of the recognition of the devastating situation in LDCs and the necessity to deal with their difficulties in a coherent and comprehensive manner that it was decided in Singapore to convene the HLM on LDCs. The HLM addressed trade-related problems and challenges facing LDCs focusing on market access issues and supply side constraints.

Preferential market access offers in favour of LDCs have been made during the Meeting. The contribution of developing countries in these offers is noteworthy. Supply side constraints were addressed in the thematic roundtables on institutional capacity and on investment.

The Meeting endorsed an Integrated Framework for Trade-Related Technical Assistance to LDCs, bringing together the related activities of the six concerned intergovernmental organizations. The Meeting also convened twelve country-specific roundtables for trade-related technical assistance needs assessment, and preparing integrated responses to these needs by the six organizations.

Since the Meeting and up to the end of November 1998, the following steps have been achieved :

- (a) Forty out of 48 LDCs have submitted needs assessment, and the six organizations concerned have drawn up their integrated responses for 39 with one still pending.
- (b) An Administrative Unit has been set up at the ITC to service the Inter-Agency Working Group and handle the daily work of the Integrated Framework. However, the unit is not yet fully operational.
- (c) Fifteen LDCs are at various stages in the process of organizing trade-related round-table meetings. The first of such meetings was held in Uganda earlier this month and five other meetings are planned during the first half of 1999.

However, many LDCs have indicated that they were unclear about the mechanism which would coordinate and drive the activities under the integrated framework. It is felt that a coherent assistance program did not seem to have evolved from the process. Clearly, the implementation of the results of the High Level Meeting is taking place at a slow pace, and the high expectations and hopes that accompanied the convening of the Meeting did not materialize into concrete measures.

It is also not clear whether all the market access pledges announced during the Meeting have been implemented in full or not. Furthermore, some of the most important exports for LDCs continue to face barriers in major markets including in the form of significant tariff escalation and tariff peaks. It is therefore our belief that there remains substantial scope for further improvements in market access for products of export interest to LDCs.

On the other hand, continuing deficiencies and difficulties in the supply side in the LDCs remain a major constraint on their ability to utilize and benefit from the MTS as well as from existing trade preference schemes.

The credibility and long term viability of the MTS depends on the effective participation by all countries in the design and management of the system. The integration of LDCs should be one of the foremost priorities of the WTO.

The African Group believes that the implementation of the results of the High Level Meeting must be accelerated and complementary effort should be undertaken through :

- (a) In relation to market access, we believe that the market access pledges that are not yet implemented should be implemented expeditiously. The transparency of these schemes should be enhanced and technical assistance should be provided to ensure that effective utilization is achieved. We would like to request the Secretariat to analyze the extent and scope of trading opportunities that may be provided as a result of these offers.

- (b) The ultimate objective in relation to market access should remain the implementation of the proposal that was made by the Director General in 1996 for the elimination of all market access barriers to exports of LDCs as soon as possible.
- (c) In relation to technical assistance, a more effective coordinating mechanism should be in place to provide some coherence and address the unclarity faced by LDCs. Periodical evaluation of the coherence among the six organizations concerned with the implementation of the Integrated Framework should be undertaken. Furthermore, the administrative unit should become fully operational as soon as possible.
- (d) Additional financial resources should be mobilized to implement the activities identified in the needs assessment.
- (e) We believe that the Subcommittee on LDCs should closely monitor and evaluate the implementation of the requirements in the needs assessment by establishing benchmarks to examine the effectiveness and impact of the technical assistance that is provided.
- (f) Finally, the particular difficulties facing LDCs in implementing the URAs should be adequately addressed. Assistance should also be provided to help LDCs to prepare for future negotiations.

To conclude, the African Group is convinced that the formidable challenges facing the LDCs and impeding their integration in the world economy can only be overcome if there is true political will to achieve this objective.

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