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**STATEMENT TO THE CHAIRMAN'S  
CONSULTATIVE GROUP  
ON BEHALF OF THE LDC GROUP**

**HONG KONG, CHINA**  
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The Doha Development Agenda agreed that "All special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational." What LDCs are talking about is not whether Members shall provide LDCs with Special and Differential Treatment. We have already agreed on that. Now we need to agree how duty-free quota-free market access should be delivered and the delivery timeframe.

We should remind ourselves as to why we provide SDT to LDCs. It is because we agree that trade is a strong instrument through which economic growth can be achieved and poverty can be alleviated. In other words, if a country can take advantage of improved market access, it is of benefit to both the country that gets the improved market access AND the country that provides the improved market.

Some of us seem to have forgotten this. Some developed countries believe that they need to protect their sensitive domestic industrial sectors even against competition from an LDC. Surely all developed countries should be doing all they can to help the LDCs graduate out of being LDCs and to use trade instruments as much as possible to do this. If LDCs are helped to graduate out of being LDCs through improved market access provisions, not only will

poverty be reduced but the country giving preferences will no longer have to provide the SDT to the country concerned as it will no longer be a LDC. So, problem solved.

As the Coordinator of the LDCs I find it inconceivable that providing duty-free quota-free market access to 700 million of the world's poorest people can be delayed and possibly rejected by the governments and peoples of the world's richest countries. This is after these very same governments have raised our hopes through pronouncements of their good intentions through the Monterrey Consensus, the Millennium Development Goals, the meetings of the G7 and G8, the Report of the Commission for Africa – and I could go on. We see, yet again, the issuance of the blank cheque with no money in the bank.

We have, as the LDC Group, put in a great deal of effort into working towards a positive outcome to the 5 SDT proposals the Ministers have before them now.

In March 2005, Members agreed that priority should be given to the five LDC Agreement-specific proposals selected from the eighteen proposals contained in the Chairman's fax message of 16<sup>th</sup> March 2005. Since this time, the LDC Group has been actively and constructively engaged in the negotiations and has continued to bring new suggestions to the table, and analyse and comment on the proposals of others, in an effort to meet the concerns of other Members. Although the LDC Group has been in a continuous process of reducing their level of ambition, the same level of political commitment to reach an agreement on SDT from the rest of the Membership has not been evident.

We seem to have a major problem with one specific proposal on SDT which is of economic value and that is Proposal 36, *Decision on Measures in favour of Least Developed Countries (TN/CTD/W/4/Add.1)*. I will confine myself to addressing this proposal, although Members should remember that the 5 Agreement-specific proposals are a package and there will be no cherry-picking.

The LDC Group have proposed a number of alternative texts but none of them seem to have come close to satisfying the demands of a select few of the Members. At the heart of the discussions has been whether the duty-free, quota-free market

access should be provided to **all** LDCs, for **all** products and whether duty-free and quota free market access can be bound, so that it is secure, predictable and sustainable.

The LDC Group appreciates the political and technical problems posed by a bound zero tariff for LDCs. The inclusion of bound in reference to tariffs has been interpreted as meaning bound in a Member's Schedule of Commitments. If duty-free quota-free market access is bound in this manner it could be interpreted as being in contravention to the MFN principle (Article II of GATT). Any modification of GATT Articles needs to be approved by all Members of WTO. This is possible but not practical.

If we as Ministers agree to ~~find a commitment as secure and predictable as tariff binding~~, I do not believe it would be impossible ~~to find a legal solution~~.

Some Members want to restrict the number of LDCs for which duty-free quota free market access is offered. If we allow this to happen, not only will we remove the cohesion of the LDC Group, we also anticipate that such fragmentation will cause problems in implementation. Paragraph 1(d) of the Enabling Clause makes provision for SDT for LDCs as a group. This could imply that if there is any discrimination between LDCs (such as excluding even just one LDC) then the duty-free quota-free market access agreement would be open to challenge.

Another alternative would be to implement under a waiver but this would not give the LDCs the security, predictability and certainty they are looking for so that investments can be attracted.

So, the bottom line here is that duty-free quota-free market access should be provided for **ALL** LDCs. We thought that the US had a problem with this but, after the bi-lateral consultations we have had today, it seems that they no longer have a problem with providing duty-free quota-free market access to all LDCs.

However, some developed country Members, such as the US and Japan, want to exclude specified products from receiving duty-free quota-free market access. The implication of this is that LDCs will agree to all developed countries choosing what products they want to provide duty-free quota-free market access for.

I really cannot see how this would work. If each developed country Member wants to list products they want to exclude from providing duty-free quota-free market access we then have a series of GSPs. We do not need a ministerial decision for developed country Members to designate GSPs – that can be done under Article 2(a) of the Enabling Clause. If the intent is to have a cumulative list of products that developed country Members want to exclude from providing duty-free and quota-free market access for, the list would, in all probability, exclude most products of export interest to LDCs. If countries simply want to enhance existing preference schemes, further discussion is superfluous.

Any of these scenarios will not meet the requirements of the LDCs to be provided with predictable and sustainable duty-free quota-free market access as has already been agreed at Doha.

If the problem for developed country Members is a fear of competition from LDCs, this fear is completely unfounded. If we take the US market as an example, total imports of the US from LDCs in 2003 was valued at \$10.4b of which about half was fuel. Total imports from all countries into the US in the same year was \$1,305b so LDCs account for less than 1% of US imports.

Total imports of manufactured goods by the US from the LDCs in 2003 was valued at just over \$5b, compared to total imports into the US from all countries of manufactured products of \$990b, so LDCs account for about half of one percent of the US's manufactured imports. Even if the share of manufactured imports coming from LDCs doubled in value, to 1% of manufactured imports as a result of the US providing duty-free quota-free market access to LDCs, this would have a negligible effect on the US and on other suppliers to the US. More importantly, it would have a huge effect on the lives of the poorest people in the world.

The total value of LDC exports of articles of apparel and clothing accessories in 2003 was \$8.6b or 4% of world trade in this product. It is difficult to understand why, if duty-free quota-free market access was provided to all LDCs, including Bangladesh and Cambodia, for example, the textile industry of Lesotho and Uganda would suffer. It is more likely that all LDCs would benefit. If the result of providing duty-free quota-free market access to LDCs was an increase of even 1% of their textile and clothing exports to the US this would more than double the level of existing exports of

textiles and clothing from all LDCs. If the US provided duty-free quota-free market access to all LDCs for all products there may be some trade deflection taking place but LDCs as a group would most probably take market share from the rest of the world rather than other LDCs.

After so many years of "building on commitments" and so many months of negotiating in Geneva, LDCs cannot and will not accept anything other than what developed countries have time and time again promised them. The excuse of domestic constituencies countries are using to explain failure to act is past its sell-by date. Developing countries, forced to liberalise by developed countries, have always been told that liberalisation will deliver welfare gains and that adjustment costs can be mitigated with proper sequencing and relevant retraining programmes. It is not too late for developed countries to swallow their own medicine and fulfil their promise on duty-free and quota-free market access for 11 percent of the world's population. But it will require greater political will than I have seen up to now in this so-called development round.

I am confident that the LDCs will get the support of many of you including the EC, India, Brazil, Costa Rica and others we have held bilateral meetings with. I only hope that other Members who have some problems with wording of parts of Annex F of the Ministerial Declaration will be able to reach a compromise with us so that we do not leave Hong Kong empty handed and disappointed.

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