

# **THE ROLE OF TRADE IN THE DEVELOPMENT OF PRODUCTIVE CAPACITIES**

## **Improved use of Preferential market access schemes and SDTs in WTO provisions**

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Mr. Chair, thank you very much for the introduction and let me also express my appreciation to UNCTAD for giving DESA the opportunity to contribute to the discussions this afternoon.

Within DESA, the Committee for Development Policy Secretariat is implementing a project with the objective to improve access to information on international support measures for LDCs. An important element of the project is a set of Surveys we are sending out to LDCs, donors and trading partners. The Surveys focus on what the measures are, on who offers them and whether they are being used.

Turning to the main topic of this afternoon, enhanced market access for LDCs remains crucial, but, in order for LDCs to engage in trade successfully, they must also have the necessary productive capacity. Through increased trade and investments in the export sector, LDCs can increase their access to technology and capital, gain knowledge of new approaches to business and enhance their productive capacity. In this contribution of trade to productive capacity development, there is a strong case for trade-related international support measures.

At present, the main categories of trade-related support measures available to LDCs are preferential market access, special and differential treatment – or SDTs - regarding WTO obligations and trade related capacity building. The ultimate goal of these measures should be to help LDCs become more competitive and facilitate the development of export industries.

With respect to the interlinkages between trade preferences and productive capacity building, LDCs need to have the necessary productive capacity in sectors in which they get preferential treatment. The paradox here is that the unpredictability of the schemes deters potential investors in LDCs to increase investments in productive resources, in entrepreneurial capabilities and in LDCs' capacity to produce for export markets.

New proposals for improving the preferential market access for LDCs are likely to be on the agenda in Istanbul – and the recently announced relaxation in the EU rules of origin requirements for LDCs is welcome news. But, apart from improvements in preferential market access, new proposals should also focus on the SDTs in the WTO provisions.

The Agreement creating the WTO contains 25 measures that specifically mention benefits for LDCs. Some of these SDTs have clear productive capacity building linkages. But, most have

not yielded enough concrete results. Here is an example: Article 66.2 in the Agreement on TRIPS encourages developed countries to take measures to promote technology transfer to LDCs. Our surveys confirm that this support measure is underutilized due to the lack of a uniform reporting mechanism and the need for clarification on the term '*transfer of technology*' and what constitutes '*incentives*' to such transfers.

The preliminary results of our Surveys also indicate the need to better tailor SDTs to the development level of LDCs. A case in point is the SDT provision in the TRIMS Agreement. LDCs have not utilized the longer transitional period to eliminate trade related investment measures, an instrument often used by middle-income countries - including the successful emerging economies - to promote manufacturing and the structural change of their economies.

Another impediment to the full utilization of SDTs is the lack of institutional capacity in LDCs. This often results in a lack of awareness about the existing SDTs and in inadequate mechanisms for consultation and advice among government entities and the private sector.

It is important to give new impetus to efforts in strengthening the SDTs and their underutilization should be further analysed. In the context of the Doha Development Agenda, LDC IV provides an opportunity to make those SDT provisions that have a potential to enhance the productive capacity in LDCs more precise and operationally effective.

Mr. Chairman, let me conclude by saying that the results of our project will be made available on the LDC information portal we are designing. We will present the analytical results of the project and the information portal at the LDC IV Conference in Istanbul and, on that occasion, also discuss the assessment of the CDP on strengthening the international support measures for LDCs. Documentation about the project and the CDP report on international support measures can be found in the back of the room.

Thank you.