

ECOSOC High-level Segment Preparatory Meeting

Resource mobilization and enabling environment for poverty eradication
in the context of the implementation of
the Programme of Action for the Least Developed Countries
for the Decade 2001-2010

**Round Table E: Trade and market access preferences:
commitments, achievements, challenges and prospects**
18 March 2004, Conference Room 6

Intervention by Pierre Encontre, UNCTAD secretariat

Mr. Chairman, despite the shortness of the time allocated, I will make my intervention half in English and half in French.

Mr. Chairman, Mr. High Representative,

UNCTAD is grateful to you for the opportunity of participating in this round table, which relates to a crucial aspect of the rationale for having a Least Developed Countries category, indeed a subject that is at the heart of UNCTAD's action to enhance and safeguard the credibility of the LDC status. What I am referring to here is the benefits expected to be derived by LDCs from the special treatment associated with this status. The focus of this round table on market access preferences for LDCs obviously echoes the general title of the High-level segment: indeed the context of preferential treatment is supposed to constitute an enabling environment.

The question is, to what extent is the enabling environment we assume to be promoting through trade preferences able to alleviate poverty? In this regard, I would like to point out the importance that UNCTAD is attaching,

particularly this year, to the relationship between trade and poverty reduction: first, this subject is the theme of our forthcoming 2004 Least Developed Countries Report, which will be released within about two months; secondly, as you may know, one of the three special themes of the eleventh session of UNCTAD this year in June (UNCTAD XI) is trade and poverty reduction, to which a high-level event will be devoted on June 14th.

My intervention in this panel will be limited to three points.

First, as much as market access preferences are appreciated by LDCs, there are still serious limitations to these countries ability to use the preferences.

The degree of effective utilization of the trade preferences offered is about two thirds (utilization ratio of 68.5% in 2001) if we confine our analysis to the four main developed countries markets that matter to LDCs, namely, the so-called Quad countries (Canada, European Union, Japan, United States of America).

First, the utilization of trade preferences is dampened by the relative unpredictability of market access preferences, even though significant progress has taken place, in recent years, in terms of promoting more permanent concessions.

Secondly, there is a limitation to the possibility of utilizing trade preferences in the lack of harmonization among the procedures imposed by the different preference givers. Procedural gaps make life difficult in LDCs

where institutional and human capacities are weak, which is the case in almost all these countries.

Thirdly, another limitation to the comfort LDCs should find in trade preferences relates to the rules of origin, a key element of the conditions for being able to enjoy trade preferences. The rules of origin remain at the discretion of preference-giving countries, and although they are generally regarded as legitimate, they often fail to match the intrinsic industrial capacities of beneficiary countries. Here again, some important exceptions have been welcome, but rules of origin are still often regarded as stringent in comparison with local capacities. The impression is that relaxing the rules would not cost much to preference givers and would often make a significant difference to LDC exporters.

Finally, another important parameter in the equation of trade preferences is the existence of non-tariff barriers, a type of obstacle that many LDCs still face, an obstacle that tend to offset the benefits derived from tariff preferences.

My second remark is the following: **there is scope for expanding the preferential coverage LDCs have been enjoying.**

The product coverage offered to LDCs varies considerably, among Quad markets, from one market country to the other. The European Union has the widest product coverage (more than double that of the United States in 2001), but we know that recent efforts in preference-giving countries, for example in Canada and Japan, and also in the United States as a result of

AGOA, will be reflected in the relevant ratios as soon as these have been updated, something we will of course take care of.

Moreover, I would like to point out two related aspects.

First, there is an aspiration, among many developing countries, and LDCs in particular, to see the notion of preferences introduced in the negotiations relevant to trade in services. This aspiration has been voiced with regard to movements of persons, but it could perhaps also be extended to other modes of supply. This however, is not on the multilateral trade agenda, even though many have been calling for a multilateralization of the notion of trade preferences, a notion that obviously departs from the unilateral nature of preferences.

Secondly, the issue of subsidies in developed countries on agricultural goods of great interest to LDC exporters, has been viewed by LDC policy makers as a problem of coherence in the vision that developed countries have of the notion of special treatment. Offering trade preferences to LDCs for important goods and at the same time subsidizing similar goods on the preference-giving market obviously poses a problem of coherence in the special treatment of beneficiary countries. I can only flag this issue, as the time is too short here to explore the issue further.

My third and last remark, Mr. Chairman, will be made in French.

Monsieur le President, **il est fortement souhaitable que la question des preferences commerciales soit a l'avenir repensee dans le contexte**

des aspirations legitimes a une plus grande differentiation dans le traitement special des pays en developpement.

Nous pensons, en effet, qu'il y a un contraste de plus en plus frappant entre la tres grande diversite des desavantages dont souffrent les pays en developpement, et le manque de differentiation dans le traitement special qui est concede a ces pays. Bien sur, on peut considerer que la reconnaissance de categories speciales de pays (trois categories dans le systeme de Nations Unies) constitue en soi une reponse differenciee. Mais si l'on y regarde de pres, la differentiation n'est qu'une illusion. Deux faits en fournissent la preuve.

1. Premierement, il y a l'absence, ou quasi-absence de traitement special des petits Etats en developpement insulaires non-PMA, qui sont la majorite de la famille insulaire, et economiquement tres vulnerables. C'est cela qui explique que les PMA insulaires proches des seuils de sortie de la categorie PMA soient generalement reticents a accepter de sortir de la categorie. Pourquoi le Cap-Vert et les Maldives ont-ils de bonnes raisons d'etre reticents a sortir? Parce qu'ils savent qu'apres la perte du regime PMA, il n'y aura plus pour eux de traitement special differencie qui soit une reponse appropriee a leurs besoins. Le fait de rester insulaire bien que l'on ne soit plus PMA n'est pas d'un grand secours sur le plan du traitement attendu de la communaute internationale. En d'autres termes, le traitement de ces pays, dont on reconnait pourtant la grande vulnerabilite, n'est pas assez differencie. Des lors qu'il n'est plus PMA, on traitera un petit pays vulnerable de la meme maniere que l'on traite, disons, un grand pays en developpement continental. Pas etonnant qu'il y ait la un malaise,

phenomene que le Conseil Economique et Social d'ailleurs connait bien en ce moment, avec la difficile revision de la liste des PMA.

2. Deuxiemement, meme au sein de la categorie PMA, force est de constater qu'il existe une tres grande diversite de situations en termes de caracteristiques geographiques, de revenu, de developpement du capital humain, et de vulnerabilite economique.

Alors, on est tente de se dire que la differenciation qu'apporte l'existence du regime PMA en distinguant les PMA des non-PMA est une pietre reponse au besoin de differenciation, puisque le traitement special n'est pas differencie a l'interieur de la categorie PMA, en depit des differences entre PMA. Ce manque de differenciation est certes beaucoup plus vrai sur le plan de l'acces aux marches que sur le plan de l'aide au developpement, car cette derniere est generalement determinee par des facteurs plus specifiques, souvent subjectifs. Mais dans le domaine de l'acces aux marches, et des conditions liees a l'acces aux marches (comme les regles d'origine), on est un peu partage, disons, entre le sentiment de reconnaissance a l'egard des donneurs de preferences, et une certaine amertume face au chemin qu'il reste a parcourir en l'absence de differenciation. En d'autres termes, il y a, notamment dans le domaine du commerce, une tres forte aspiration a ce que les concessions fournies puissent serrer de plus pres la realite des problemes auxquels elles sont sensees repondre.

En definitive, Messieurs les co-Presidents, Mesdames et Messieurs les delegues, on serait tente de penser que le schema ideal de cooperation

internationale devrait etre un cadre de differenciation totale, en d'autres termes, a chaque pays un traitement different. Mais cela ne serait pas realiste, et cela rendrait le systeme generalise des preferences extremement complexe, alors qu'il n'est deja pas simple.

En conclusion, il demeure tres important que les categories actuelles continuent a exister, et c'est bien a l'interieur de ces categories (PMA et petits Etats en developpement insulaires notamment) qu'il faut continuer a travailler pour ameliorer les avantages recus. C'est notre ambition a la CNUCED, et nous sommes deja bien avances dans notre analyse des avantages retires de l'appartenance a la categorie PMA. Nous esperons que le Conseil Economique et Social appreciera l'importance de ces questions, qui seront bien sur presentes a la CNUCED XI, et qu'il nous aidera a defendre la credibilite de la denomination PMA, condition *sine qua non* pour que les partenaires du developpement poursuivent leurs efforts d'appui a ces pays.

Je vous remercie de votre aimable attention.