UNITED
NATIONS

TD

United Nations
Conference
on Trade and
Development

Distr.
GENERAL

TD/B/42(2)/11/Add.1
UNCTAD/LDC(1996)/Add.1
4 September 1996

Original : ENGLISH

TRADE AND DEVELOPMENT BOARD
Forty-third session
Geneva, 7 October 1996
Item 4 of the provisional agenda

Programme of Action for the Least Developed Countries for the 1990s

THE LEAST DEVELOPED COUNTRIES 1996 REPORT: AN ADDENDUM

GE.96-51549

CONTENTS

Tables

INTRODUCTION

1. At the mid-term global review of the implementation of the Programme of Action for the Least Developed Countries for the 1990s (New York, 1995), it was acknowledged that the performance of the least developed countries (LDCs) as a group over the early years of the decade had fallen far short of many of the objectives set in the Programme of Action. Against this background, the High-level Intergovernmental Meeting on the Mid-term Global Review agreed on international policies and measures with a view to accelerating the implementation of the Programme during the remainder of the decade. These measures included the full and expeditious implementation of the relevant provisions of the Final Act of the Uruguay Round and of agreed ODA targets and commitments, as well as actions on the various components of LDCs' debt. The ninth session of UNCTAD in May 1996 addressed, in particular, the impact of globalization and liberalization on LDCs, recognizing the importance of assistance and support from the international community in assisting LDCs to integrate in the world economy and the international trading system. The Conference provided a new focus on the promotion of investment and enterprise development as a means to this end.

2. This addendum complements the analysis contained in The Least Developed Countries Report 1996 and in Section I reviews the implementation of the Programme of Action for the Least Developed Countries for the 1990s in the field of external finance and debt. Section II focuses on policies relevant to strengthening the LDCs' capacities for participation in the multilateral trading system.

I. REVIEW OF IMPLEMENTATION OF THE PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s IN THE FIELD OF EXTERNAL FINANCE AND DEBT

A. External finance

3. Preliminary estimates of total official development assistance (ODA) provided in 1995 by the donor countries members of the Development Assistance Committee (DAC) of the OECD show a sharp fall in ODA flows. In real terms, total ODA declined by 9 per cent from its 1994 level, amounting to 0.27 per cent of the DAC countries' combined GNP in 1995, the lowest ratio recorded since the United Nations adopted the target of 0.7 per cent in 1970.[1] Details about the geographical distribution of these flows are not yet available, but unless there has been a significant shift in aid allocations in favour of the poorest countries, a deterioration in aid performance vis-à-vis the LDCs may well have taken place in 1995. ODA to LDCs as a share in the

GNP of the DAC countries had already declined to 0.07 per cent in 1994, as compared with 0.09 per cent at the time the Programme of Action was adopted in 1990, in spite of the aid targets and commitments set in the Programme and the fulfilment of these commitments by several individual donors.

4. Several important initiatives on resource mobilization for LDCs and other low-income countries were launched during the first half of 1996. Of special significance for the 33 African LDCs is the United Nations System-wide Special Initiative on Africa, which was launched in March 1996. This initiative is intended to bring together the efforts of the entire United Nations system, including the Bretton Woods institutions, in meeting the critical challenges facing Africa over the next decade, with particular emphasis on areas such as education, clean water, health, food security and governance. Financing requirements for the priority areas identified under the initiative have been estimated at close to $25 billion over a ten-year period, and are expected to be met largely through redirection of existing resources.

5. Following protracted negotiations, agreement was reached in March 1996 on the eleventh replenishment of IDA, and in May-June 1996 on a financing package for the African Development Fund which will allow renewed lending on concessional terms from the African Development Bank, after a suspension of such lending for two and a half years. Twenty-two billion dollars will be provided to fund IDA-XI. Donor countries will provide $11 billion over the next three years, starting in July 1996 with a $3 billion interim fund, followed by $4 billion for each of the next two years. The balance would come from repayments of IDA credits, past contributions, and income from the operations of the World Bank.[2] The accord on replenishing the African Development Fund provides for $2.6 billion for the period 1996-1998, of which $1.6 billion represents new donor contributions. A number of donor countries have also agreed to provide an additional $420 million under a special funding arrangement. The total amount pledged, however, remains below the level of the previous replenishment of the African Development Fund ($3.4 billion for 1991 to 1993). While the results of these funding exercises can be deemed broadly satisfactory, the timely appropriation of funds to meet these pledges will now be important. Adequate resources also need to be provided for the Asian Development Fund, which is next in line for replenishment, and for United Nations grant-based development funds and programmes.[3]

B. External debt

6. After a period of slower rates of increase in LDCs' outstanding external debt stock in 1991-1993, growth in their indebtedness accelerated again in 1994 (table 1). In that year, the debt stock increased by almost $7 billion, or 6 per cent, to $128 billion. Most of this increase was due to new concessional lending by the international financial institutions and in part reflects support extended for policy reform processes in the LDCs. Actual debt service payments, at $3.3 billion in 1994, were only marginally higher

than in 1993 and remained far below scheduled payments. Debt service on multilateral debt made up close to half of all payments made in 1994. Overall, there are virtually no signs of improvement in debt indicators for LDCs. The ratio of debt to GDP was 71 per cent in 1994 (70 per cent in 1993) for the LDCs as a group. Excluding Bangladesh and Myanmar, which together account for almost half of LDCs' GDP, this ratio rose from 111 per cent in 1993 to 115 per cent in 1994.

7. The elaboration of proposals for comprehensive debt relief to the heavily indebted poor countries, which has been undertaken by the Bretton Woods institutions, is reflected in a "framework of action" which was presented to the April 1996 meetings of the Interim and Development Committees. The framework has provided a basis for further work with the aim of reaching decisions by the time of the next Annual Meetings of the IMF and the World Bank.[4] Major outstanding issues include burden-sharing between bilateral and multilateral creditors (in the framework paper, a deepening of Paris Club debt relief to 90 per cent was suggested, while multilateral debt relief would be offered at the end if necessary to achieve debt sustainability) and the form and financing of an IMF contribution to the scheme, connected with the question of funding arrangements for the Enhanced Structural Adjustment Facility (ESAF). Some progress on this initiative has since been made, notably the earmarking by the World Bank of $500 million as an initial contribution towards financing. The initiative was an important subject at the G-7 meeting in Lyon in June 1996, where participants, referring first to the Naples terms, acknowledged "the need for additional action, in particular to reduce debts owing to multilateral institutions and other bilateral creditors that are not members of the Paris Club".

8. Overall, considerable headway has been made over the past year on the debt strategy for the poorest countries (see UNCTAD, 1996c, chapter II.E). Discussions now focus on a comprehensive and coordinated strategy aiming for overall debt sustainability, and the multilateral component of their debt is also being addressed. Furthermore, concrete financing mechanisms are being sought. At the same time, some key elements in the proposed framework still remained open after the Lyon Summit and may not be settled until the annual Bank/Fund meetings in September-October. Decisions on these issues and the working out of modalities are urgently needed in order to permit an early start of the implementation of the scheme. This is a matter of major concern for the LDCs: 29 LDCs are among the group of 41 "heavily indebted poor countries" which was under consideration when the framework was drawn up, and 14 LDCs are among 20 countries whose debt situations have been judged unsustainable or "possibly stressed" in the analysis of the Bretton Woods institutions and which have been identified as potential candidates for additional debt relief in the framework paper.[5] Questions of eligibility and conditionality will be important for the benefits that LDCs will ultimately derive from the new initiative. A full assessment of the likely impact on LDCs' debt situation will have to await the finalization of the scheme.

Table 1 : LDCs' external debt and debt service, by source of lending

	External debt (at year end)				*Debt service*			
	Millions of dollars			*% of total*	*Millions of dollars*			*% of total*
	1984	*1990*	*1994*	*1994*	*1984*	*1990*	*1994*	*1994*
I. Long-term	56491	106625	117676	91.7	3780	4280	3052	92.9
A. Concessional	31800	72455	86320	67.2	830	1470	1644	50.0
(a) OECD countries	7721	17930	17121	13.3	274	495	499	15.2
(b) Other countries	12694	23343	23384	18.2	296	407	199	6.1
(c) Multilateral agencies	11386	31182	45815	35.7	260	568	946	28.8
B. Non-concessional	24693	34166	31356	24.4	2950	2810	1408	42.8
(a) OECD countries	11363	15648	14009	10.9	1760	1390	624	19.0
(i) official/ officially guaranteed	8303	12880	11745	9.1	1241	838	367	11.2
(ii) financial markets	3060	2768	2264	1.8	519	552	257	7.8
(b) Other countries	7920	11934	11999	9.3	194	199	168	5.1
(c) Multilateral agencies	5410	6584	5348	4.2	997	1221	616	18.7
II. Short-term	4791	10906	10718	8.3	526	503	229	7.0
TOTAL	**61281**	**117527**	**128395**	**100.0**	**4307**	**4778**	**3286**	**100.0**
of which :								
Use of IMF credit	*4529*	*5063*	*5596*	*4.4*	*796*	*842*	*412*	*12.5*

Source : UNCTAD secretariat calculations, based on information from the OECD secretariat.

Note : Figures for total debt and total debt service cover both long-term and short-term debt as well as the use of IMF credit.

II. STRENGTHENING LDCS' CAPACITIES FOR PARTICIPATION IN THE MULTILATERAL TRADING SYSTEM

A. Introduction

9. The Uruguay Round (UR) of multilateral trade negotiations, which was concluded in early 1994, is expected to strengthen the multilateral trading system and generate significant welfare benefits for all countries. At the same time the international community has recognised the need to assist the LDCs to cope with transitional costs in adjusting to changes in the multilateral trading system. In the light of the special and differential treatment clauses incorporated into the various provisions of the UR Agreements, and in the Decision on Measures in Favour of Least Developed Countries annexed to the Final Act, the present section of this addendum has two objectives: first, it briefly examines government policies that are necessary to ease LDCs' economic adjustment during the transitional period; second, it attempts to identify UNCTAD's contribution to multilateral and bilateral technical assistance (TA) programmes which could facilitate the integration of LDCs into the multilateral trading system.

10. These issues were addressed by the Mid-term Review of the Programme of Action, UNCTAD IX and *The Least Developed Countries 1996 Report*. In the World Trade Organization, the Committee on Trade and Development has also established a Sub-Committee on LDCs with the objective of examining measures to facilitate the integration of LDCs into the multilateral trading system (see, WTO, 1995b, 1996a, 1996b). Some international support measures, initiated by multilateral and bilateral agencies, are already under way to deal with the anticipated problems of LDCs, e.g. the UNCTAD/ITC/WTO integrated technical assistance programme, the UNDP Preparatory Assistance project, and contributions by Norway and the Netherlands, among others, to WTO and UNCTAD technical cooperation programmes.

11. In order to benefit from the UR, LDCs need to carry out institutional restructuring to comply with the disciplines of the UR and complementary policy adjustments essential to improving their supply capabilities and efficiency of production in order to enhance their participation in world trade. These adjustments are unlikely to be completed in the immediate future and will take time to yield results. Long-run benefits may also be affected by LDCs' past economic performance. A review of the economic performance of LDCs in the early 1990s for the Mid-term Review of the Programme of Action identified three categories of LDCs based on differences in economic performance: growth was relatively strong in the first group numbering about a dozen, had stagnated in a larger group of 21, and had declined in the third group of 16 afflicted by civil war or strife (UNCTAD, 1995g). Historical trends suggest that strong-growth LDCs stand to gain more than the other two groups, not least because they have been far more successful than other LDCs

in expanding and diversifying exports. In contrast, the poor export performance of most other LDCs suggests that they remain in a weak position to compete on liberalised global markets. This indicates the need for a two-pronged approach to the task of helping LDCs to exploit the potential of the UR Agreements: government policies directed at overcoming obstacles associated with LDCs' low developmental status; and a "priority needs package" to help ease LDCs' implementation of, and compliance with, the UR Agreements. Multilateral technical assistance will be invaluable to LDCs in both cases.

B. Special and differential treatment and the Decision on Measures in favour of LDCs

12. The provisions on special and differential treatment for LDCs and developing countries (DCs) in the various Agreements and in the Decision on Measures in Favour of Least Developed Countries guarantee DCs/LDCs partial or total exemptions from some UR commitments and provide a flexible means by which LDCs (and DCs) would, after a specified transitional period, assume full WTO obligations (see table 2), taking into consideration their special development needs born out of their structural weaknesses. While it is in the interest of LDCs to initiate new trade policies in conformity with WTO trade rules as early as possible, the existence of transitional periods opens up the possibility that there may be few WTO-induced policy changes in most LDCs in the immediate future. On the other hand, given the administrative burden associated with notification requirements, some LDCs may fall behind in meeting their obligations, and may therefore, in some cases, miss the opportunity to utilise some of these provisions to improve their competitiveness in the transitional period, particularly where specific time-bound notifications have been imposed. If so, they will have exposed their trade policies to possible challenge, although the probability of this may be slim.

13. The need for technical assistance (TA) by LDCs was addressed by the Mid-term Review of the Programme of Action (see, UNCTAD, 1995h, pp. 10-19), and by UNCTAD IX (see, UNCTAD, 1996a, 1996b). The Decision on Measures in Favour of LDCs also provides for increased TA to LDCs to strengthen and diversify their production bases and to promote trade. The WTO in particular, other multilateral institutions, such as UNDP, ITU, and the World Bank, and in some cases importing countries have been urged to provide the necessary TA (eg. personnel training, technology transfer, preparing implementation measures, access to information, etc.) to LDCs to enable them to meet their obligations under various Agreements. The WTO secretariat will further assist LDCs, for example, by drawing their attention to notification requirements relating to products of particular interest to them. In some cases LDCs have the right to request and obtain TA from developed countries.

Table 2: Summary provisions in the Uruguay Round Agreements on special and differential treatment of LDCs and DCs

UR Agreement	Fewer obligations (and exemptions)	Longer implementation or transition period*
1. Agriculture	(i) Restrictions on food exports possible if not net exporter [**DCs**]; (ii) domestic support or export subsidies permitted, eg. exemption from AMS [**LDCs**]	10 years to make commitments on ceiling bindings [**LDCs**]
2. Technical Barriers to Trade	Domestic standards permitted if international standards are not appropriate [**DCs**]	
3. TRIMs	Flexible application considering, eg. infant industries, BoP & safeguard measures [**DCs**]	7-& 5-year transition period, with possibility of extension, to eliminate GATT-inconsistent TRIMs [**LDCs & DCs**]
4. GATT Article VII (customs valuation) & related decisions	Flexible application with reference to the value of imported goods, particularly if goods undergo further processing in country of importation [**DCs**]	Non-signatories to Tokyo Round but accepting WTO granted 5 years with possible extension (plus 3 years relating to computed value method) [**DCs**]
5. Import Licensing Procedures	Exempted from additional administrative/financial burdens in fulfilling some requirements [**DCs**]	2-year delay possible [**DCs**]
6. Subsidies & Countervailing Measures	Prohibition of export subsidies does not apply [**LDCs**]	(i) Subsidies on use of domestic over imported goods permitted for 8 [**LDCs**] & 5 years [**DCs**]; (ii) 8 years to phase out export subsidies after attaining "export competitiveness" for a given product [**LDCs**]
7. Safeguards	Permitted to maintain measures for 10 instead of 8 years.	
8. GATS & related decisions	Parties to economic integration agreements need not eliminate all discrimination, e.g. that with positive impact on national policy & development [**DCs**]	2 years to establish enquiry points to provide info on laws, regulations, etc, with significant effect on trade covered by commitments [**DCs**]
9. TRIPs	11-year delay possible, and extendable on request [**LDCs**]; 5-year delay [**DCs**]	
10. Trade Policy Review Mechanism	Subject to review every 6 years [**DCs**]; and possibly by longer intervals [**LDCs**]	
11. GATT 1994		Submission of schedules extended by 16 months (15 April 1995, instead of 15 December 1993) [**LDCs**]
12. Sanitary & Phytosanitory Measures		5-year delay on measures affecting imports possible [**LDCs**]; time-bound exemptions, in whole or in part, possible on request [**DCs**].
13. Textiles & Clothing		Non-MFA members to notify full details of first integration programme and the use of special transitional safeguard mechanism within 1 year and 6 months respectively, instead of 60 days in both cases [**most LDCs**].
14. Technical Barriers to Trade		Time-bound exceptions, in whole or in part, may be granted on request [**DCs**]

Source: Extracted from WTO, 1995a, and UNCTAD, 1995d.

Note: * After entry into force of Agreement.

14. The Decision on Measures in Favour of LDCs further provides for a continued review of LDCs' problems and for a continued attempt to adopt positive measures to facilitate the expansion of their trading opportunities. Regular reviews are to be undertaken (currently by the Committee on Trade and Development) to ensure the implementation of the measures in favour of LDCs. Reviews of certain WTO trade agreements are envisaged to help improve their applications. In addition, the first WTO Ministerial Conference in Singapore later this year will undertake a thorough review of the implementation of the UR Agreements.

15. It would thus appear that the transitional problems envisaged by LDCs (and DCs) relating to the UR have been well catered for. Concrete action is now called for towards the effective implementation of the UR Agreements and putting into effect the special and differential treatment provisions and the Decision on Measures in Favour of LDCs. Given the magnitude of the problems of economic restructuring faced by LDCs, specific programmes, such as those discussed below, need to be implemented to ensure that this group of countries reaps long-term benefits from the UR. It is in this regard that UNCTAD, in collaboration with other multilateral and bilateral institutions, could play a crucial role.

C. Coping with the UR's transitional impact to ensure long-term benefits

16. The policy objectives of the Governments of each of the three categories of LDCs referred to earlier are likely to differ depending on the progress made in the past in different areas of development. The priority for the civil-war/strife-afflicted LDCs should be the restoration of a stable form of governance that guarantees security of life and property as a basis for commencing economic restructuring. For the stagnant-growth group of LDCs, a rehabilitation of their traditional export sectors in which they have demonstrated comparative advantage may be a prerequisite to kick-starting their economies. The key objective of the Governments of these two groups of LDCs, like that of the strong-growth group, should be to pursue domestic policies that give their economies a more competitive edge in the production of tradeable goods and services in order to enhance their participation in international trade. These policies should be directed at reorienting the incentive structure in favour of the tradeables sector, and at attaining improvements in the efficiency of production for domestic consumption (e.g. food) and for external markets in order to meet increased competition from abroad: LDC exporters are experiencing declining shares in world markets due in part to product innovation in DMEs and partly to more efficient production and marketing of competing goods and services in the more advanced developing economies such as those in East Asia and Latin America. In practice, this would imply a major shift towards external orientation of trade policy (ie. trade liberalisation and competitive real exchange rates) and the implementation of policies to overcome, or at least attenuate, supply-side impediments such as weak technological capacity, lack of entrepreneurial and managerial skills, and deficiencies in the physical infrastructure.

National measures

17. Trade policy reforms: Trade policy reforms should be designed to enhance the external orientation of LDC economies in consonance with UR provisions, i.e. by deregulating the import regime and the domestic policy environment in general. Improved incentives for both domestic and foreign investors will be crucial in attracting FDI in particular. The private sector has to be involved in trade policy formulation and implementation to underscore its vital role in economic restructuring.

18. Export sectors in which LDCs have demonstrated a comparative advantage have to be rehabilitated in order to regain world market shares, particularly as it may be easier to reopen marketing channels than to establish new ones. Trade-diversification programmes and policies which aim at earnings stabilization, export-revenue expansion and raising value-added may help LDCs maximise their benefits from the UR in the medium to long term. MFN tariff reductions and tariff bindings contained in the UR Agreements may boost these programmes, as they guarantee enhanced security in trading relationships which is conducive to long-term policy shifts such as those involved in trade diversification programmes. The reduction in tariff escalation for many products in LDCs' major markets will provide a stimulus to LDCs' manufactured exports and enhance their diversification into higher value-added products (GATT, 1994c, p. 9).

19. Human resources development: LDCs' ability to compete in a liberal trade environment depends on a skilled, educated and flexible labour force capable of adapting new technologies and integrating them into the production process. Human capital development has to be tackled more systematically through increased investment in education, in particular at the technical and/or vocational level, as the experience of NIEs has shown that investments in this type of training yield high returns. Regular on-the-job-training schemes can help in updating the skills of the workforce to enable them to cope with technological innovations. Training schemes oriented towards computer literacy and the provision of labour-intensive, long-distance services (eg. data entry, software programming, and "back-office" services such as product design and customer services) should enable LDCs to utilize their comparative advantage in the services sector, which is one of the fastest growing components of trade and FDI. The World Bank (1995, p.3) estimates this alone could potentially double developing countries' commercial service exports, currently estimated at about US$ 180 billion.

20. Technology: To cope with the initial problem of increased technology prices that may arise from the TRIPs Agreement, LDCs must strengthen domestic administrative capacities to secure equivalent non-patented or off-patent products and procure technologies from competitive sources. The provision of modern telecommunications infrastructure will be a prerequisite for realising LDCs' comparative advantage in the services sector and improving competitiveness in the goods sector. More investment in R and D by LDCs should help them to improve their technological capability in the long run.

21. Agriculture: The Agricultural Agreement gives some leeway to LDC Governments to overcome some of their anticipated problems: direct and indirect measures to encourage agriculture and rural development, including investment and input subsidies for low-income producers, if properly targeted, should be able to ease some of the transitional difficulties of food-deficit LDCs, as well as to serving trade-diversification objectives.

22. Within the context of a stable macroeconomic and political environment, a simplified and transparent administrative and regulatory system, and respect for property rights and the rule of law, these measures should increase the attractiveness of LDCs to private capital flows, which dominated capital flows to DCs in the first half of the 1990s. Indeed, given the current stagnation in ODA, LDCs would have to implement policy measures aimed at capturing a larger share of these private capital flows to supplement their shares of ODA.

International support measures[6]

23. Preference-giving countries may extend the product coverage of GSP benefits and provide access free of duties, ceilings and quotas where such access is not as yet granted. Rules of origin may be improved, taking into account favourable arrangements already provided by some preference-giving countries. Improvements may include full and global cumulation of production inputs from other beneficiaries. Preference-giving countries may also refrain from applying safeguard measures against LDCs' exports. The Mid-term Review of the Programme of Action recommended the need for burden-sharing. Developing countries in a position to do so, eg. NIEs, have been urged to contribute to tackling the problems of LDCs. For example, they could introduce GSP schemes in favour of LDCs.

24. In the transitional period, multilateral assistance could take the form of a "priority needs package" comprising the following measures: short-term technical assistance, food aid and debt relief. In the long term, bilateral and multilateral financial and technical assistance should focus on how to: ease supply-side constraints; improve the efficiency of domestic production; provide market access and other trade- and investment-related support to enhance the supply capacity of tradeable goods and services; and strengthen the negotiating capacities of LDCs to enable them to formulate negotiating positions at the WTO in consonance with their development priorities.

(i) "Priority needs package"

25. Technical assistance such as short-term consultancy services during the transitional period could be directed at the following areas: (i) legislative and institutional restructuring to facilitate LDCs' compliance with the UR Agreements and active participation in WTO activities, including the defence of trade rights ensuing from WTO membership. For non-WTO LDC members, this may involve assisting them to become members;[7] (ii) identifying new trading opportunities based on existing export baskets of LDCs; and (iii) the generalized system of preferences (GSP), where ongoing technical cooperation activities can be focused more on the special needs of LDCs. Activities would

place enhanced emphasis on strengthening the capabilities of LDCs to make optimum use of market opportunities under the GSP and increase utilization rates through advanced training and advisory services. Activities would also aim to provide more rapid access by enterprises and authorities in LDCs to up-to-date GSP-related information through the use of information technologies and stronger involvement of GSP focal points and of the trade point system.

26. Food aid: In the short term, net-food-importing LDCs would require increased food aid and/or balance-of-payments support to cover anticipated increases in food import bills.[8]

27. Debt relief: Debt-relief measures, such as debt rescheduling and, in particular, the auction of debts on secondary markets, could release scarce resources for LDCs to finance investment critical to economic restructuring in the short to medium term. A phased-in scheme for debt forgiveness subject to meeting a set of conditionalities (eg. implementation of market-oriented reforms) is being developed for severely debt-distressed LDCs. The main objective of this debt initiative should be to reduce LDC debt stocks to sustainable levels. Given the high multilateral debt component of LDCs' debt, a multilateral debt facility, eg. as proposed by the World Bank, should be central to any such initiative.

(ii) Long term financial and technical assistance

28. Physical infrastructure: External finance could help fund major investment programmes in physical infrastructure and social services which are necessary in LDCs to "crowd in" private investment, eg. roads linking producing centres, mostly remote and rural, to domestic and export markets, improved port and handling facilities to enhance the efficiency of access to export markets, improved telecommunications, and reliable power and water supplies.

29. Technology: Donor support will be necessary to enhance the competitiveness of LDC economies by facilitating access to new technology, enhancing technological capabilities, and providing training to improve local skills.

30. Regional cooperation/trade promotion: TA is necessary to enhance market access and investment opportunities for LDCs within a framework of regional trading arrangements (RTAs) and in promoting trade diversification in order to utilize emerging trading opportunities. This may involve: (i) product and market development, eg. trade promotion information centres based on the UNCTAD Trade Point Network; and, (ii) capacity-building for trade-policy formulation and implementation, eg. institutional development and/or strengthening to facilitate access to, and use of, information technology for the analysis of trade data as an input into trade policy formulation. Regional cooperation may boost the credibility of domestic liberalisation efforts, provide larger markets which may be more attractive to potential investors than the small domestic markets of individual LDCs, encourage the pooling of resources for research on trade-related issues, and provide a training ground

for LDC exporters entering international markets. RTAs which include LDC members may enter into reciprocal arrangements with major RTAs, for example the EU, to help their members to counteract potential dangers posed by regionalism, such as a deterioration in market access. This may also facilitate the adoption of useful institutions from the major RTAs.

31. Future trade negotiations: The negotiating capacity of LDCs needs to be strengthened to enable them to participate effectively in negotiations at the WTO to articulate their development priorities and safeguard their trading interests within the framework of the multilateral trading system, e.g. by seeking revisions to rules with potential negative consequences for their economies. The preparation of LDCs could be within the context of the agenda of specific rounds of negotiations, i.e. for the in-built agenda of progressive liberalisation of trade in services under GATS, the further liberalisation of agriculture, and future agreed agendas on new issues. A start has already been made in this regard by the European Community's regional seminars, organised in collaboration with the ACP and WTO secretariats and with the participation of UNCTAD, in the ACP countries. The objective of the seminars is to acquaint trade policy-makers and business persons with the results of the UR, increase their understanding of these results and identify policy measures needed by these countries to derive maximum benefits from post-UR opportunities (WTO, 1995b, p. 12). UNCTAD can also assist LDCs through its technical cooperation programmes: it acquired experience in this area by providing assistance, in collaboration with the UNDP, to developing-country teams during the Uruguay Round.

32. International support measures need to be designed to correspond with domestic policy measures to enhance the efficacy of LDCs' response to the UR. The overriding objective should be to enhance LDCs' trade efficiency, for which UNCTAD's Trade Efficiency Programme could provide a useful framework. Further research may, however, be necessary to work out how external assistance, or TA, should be organized and implemented and to establish the specific financial requirements of LDCs, as a group, from bilateral and multilateral sources. The outcome of the Swiss/UNCTAD seminar on "Technical Cooperation for Trade and Development in the Face of Globalization" could be a useful input (see, WTO, 1995b, p. 12). Closer collaboration should be encouraged between the various institutions in the design and implementation of TA programmes to ensure coherence in policy advice and assistance and to avoid duplication, in particular considering ongoing TA programmes directed at LDCs.[9] The joint integrated technical assistance programme in selected LDCs and other African countries of UNCTAD, ITC and the WTO, which was launched in Midrand, South Africa (see UNCTAD, 1996a) and in whose implementation the close collaboration of the World Bank, UNDP, and other agencies is envisaged, is an exemplary and timely initiative in this regard.

Notes

1. OECD press release SG/COM/NEWS(96)63 of 11 June 1996.

2. The executive directors of the World Bank in August 1996 decided to recommend the transfer of $600 million of the Bank's net income earned in the last financial year to IDA, double the amount allocated the previous year.

3. See also UNCTAD, Trade and Development Report, 1996, chapter II.E.

4. Interim Committee Communiqué, 22 April 1996.

5. The status of Liberia and Somalia has not yet been determined.

6. International support measures identified by the Development Assistance Committee and the EC Commission include: revision of GSP schemes, TA for institutional and administrative capacity-building, dissemination of information on market access opportunities, etc, support for structural adjustment, private sector development (including FDI promotion), technology transfer, and encouragement of regional cooperation initiatives (WTO, 1996a, p. 5).

7. At present, 22 LDCs are members of the WTO and 11 are at various stages of accession.

8. This is also part of the recommendations of the Marrakesh Ministerial Decision.

9. For specific programmes involving the OECD, EC, World Bank, UNDP, UNCTAD and ITC, see WTO, 1996a, pp 4-9.

References

Collier, P. and W. Gunning (1995): "Trade policy and regional integration: Implications for the relations between Europe and Africa", *The World Economy*, vol.18, No.3, May.

Davenport, M. (1994): "Possible improvements to the generalized system of preferences" (UNCTAD/ITD/8), Geneva.

GATT (1994a): "Increases in market access resulting from the Uruguay Round", *News of the Uruguay Round of Multilateral Trade Negotiations*, Geneva.

GATT (1994b): *News of the Uruguay Round of Multilateral Trade Negotiations: The Final Act of the Uruguay Round*, NUR 084, 5 April.

GATT (1994c): "Outcome of the Uruguay Round for developing countries", GATT Secretariat, Geneva, 3 October.

GATT (1994c): "Outcome of the Uruguay Round for developing countries", GATT Secretariat, Geneva, 3 October.

IMF (1995): "The Burden of Sub-Saharan African Own Commitments in the Uruguay Round - Myth or Reality", *IMF Working Paper* 95/48, Prepared by Piritta Sorsa, IMF, Geneva.

Inama, S. (1995): "A comparative analysis of the generalized system of preferences and non-preferential rules of origin in the light of the Uruguay Round Agreement", *Journal of World Trade*, pp.77-111.

Page, S. and M. Davenport (1994): *World Trade Reform: Do Developing Countries Gain or Lose?* London, ODI.

Trela, I. (1995): "Phasing out the MFA in the Uruguay Round: Implications for developing countries", a report prepared for the UNCTAD project on "The Impact of the Uruguay Round on Developing Countries".

UNCTAD (1990): *Agricultural Trade Liberalization in the Uruguay Round: Implications for Developing Countries* (UNCTAD/ITP/48), a joint UNCTAD/UNDP/WIDER (UNU) study, United Nations Publications, New York.

UNCTAD (1991): *Trade and Development Report, 1991* (UNCTAD/TDR/11) (United Nations publication, Sales No. E.91.II.D.15), New York, United Nations.

UNCTAD (1992): *The Least Developed Countries, 1992 Report* (TD/B/39(2)10) (United Nations publication, Sales No. E.93.II.D.3), New York, United Nations.

UNCTAD (1993): "The role of GSP in improving LDCs' access to markets: Some recent developments" (TD/B/39(2)/CRP.7), Geneva.

UNCTAD (1994a): "The outcome of the Uruguay Round: An initial assessment", Supporting papers to the *Trade and Development Report, 1994* (UNCTAD/TDR/14) (Supplement) (United Nations publication, Sales No. E.94.II.D.28), New York, United Nations.

UNCTAD (1994b): *Trade and Development Report, 1994* (UNCTAD/TDR/14) (United Nations publication, Sales No.E.94.II.D.26), New York, United Nations.

UNCTAD (1994c): "A preliminary analysis of the results of the Uruguay Round and their effects on the trading prospects of developing countries" (TD/B/WG.4/13), Geneva, 10 June.

UNCTAD (1995a): "Main conclusions of the brainstorming meeting on the Uruguay Round and LDCs and net food-importing developing countries", 18-19 May 1995, Geneva.

UNCTAD (1995b): "Preliminary analysis of opportunities and challenges resulting from the Uruguay Round Agreement on Textiles and Clothing" (UNCTAD/ITD/17), a report by the UNCTAD secretariat, 6 October.

UNCTAD (1995c): "Report of the Expert Group Meeting on Trade Diversification in the Least Developed Countries", Geneva, 10-11 April.

UNCTAD (1995d): "Translating Uruguay Round special provisions for least developed countries into concrete action: issues and policy requirements" (TD/B/WG.8/3 and Add. 1), Geneva, March.

UNCTAD (1995e): "The Uruguay Round and international commodity trade and prices" (TD/B/CN.1/30, Adds.1 and 2), Geneva, 31 August.

UNCTAD (1995f): *The Least Developed Countries, 1996 Report,* (TD/B/42/(2)/11), United Nations Publications, Sales No. E.96.II.D.3, New York, United Nations.

UNCTAD (1995g): *The Least Developed Countries, 1995 Report: An Addendum* (TD/B/41(2)/4/Add.1)

UNCTAD (1995h): *Report of the High-level Intergovernmental Meeting on the Mid-Term Global Review on the Implementation of the Programme of Action for the Least Developed Countries for the 1990s,* New York, 25 September - 6 October 1995, (TD/B/LDC/GR/8).

UNCTAD (1996a): *Midrand Declaration and a Partnership for Growth and Development,* Adopted by the United Nations Conference on Trade and Development at its ninth session, (TD/377), 24 May.

UNCTAD (1996b): *Strengthening the Participation of Developing Countries in World Trade and the Multilateral Trading System,* 6 May (TD/375).

UNCTAD (1996c): *Trade and Development Report, 1996* (forthcoming).

Weston, A. (1994): "The Uruguay Round: Unveiling the implications for the least developed and low-income countries", a report prepared for the UNCTAD secretariat, Geneva, September.

Weston, A. (1995): "The Uruguay Round - Costs and compensation for developing countries, Report to the Group of Twenty-four" (UNCTAD/GID/MIS31), Geneva.

World Bank (1995): *Global Economic Prospects and the Developing Countries,* Washington, D.C, The World Bank.

WTO (1995a) "Provisions related to Least Developed Countries in the Uruguay Round Agreements, Legal Instruments and Ministerial Decisions", Prepared by the WTO Secretariat for UNCTAD Brainstorming Meeting on the Impact of the Uruguay Round on Developing Countries and Offsetting Measures to Overcome the Negative Transitional Effects, 18-19 May 1995 (p-misc95).

WTO (1995b): "Note on the Meeting of 17 November 1995", Committee on Trade and Development, Fourth Session, December 22 (WT/COMTD/M/4).

WTO (1996a): *Measures to Assist and Facilitate the Expansion of Trade and Investment Opportunities of the Least-Developed Countries,* Sub-Committee on Least-Developed Countries, Second Session, 13 February (WT/COMTD/LLDC/W/1).

WTO (1996b): "Note on the Proceedings of the Second Meeting", Sub-Committee on Least-Developed Countries, Second Session, 29 March (WT/COMTD/LLDC/2).