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PROPOSAL FOR A COMMON AND ENHANCED TRADE PREFERENCE SYSTEM FOR LEAST DEVELOPEDCOUNTRIES (LDCS) AND LOW INCOME COUNTRIES (LICS)

Rev.1

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I. INTRODUCTION

Background

1. Economic history shows that there is almost no country in the world today that has been able to realise sustainable economic growth without trade. It is for this reason that there is consensus within the international community that one of the best ways for creating an effective global partnership for development is through trade. Trade must be central in the international efforts to help both Least DevelopedCountries (LDCs) and the regional groupings and customs unions in which LDCs are involved. In particular, these countries need support to overcome their presently low manufacturing capacities. Improved trade performance of these countries will allow them to lift themselves out of poverty and reduce their dependence on aid.

2. Over the past decade there has been a gradual improvement in the share of developing countries in world merchandise trade. LDCs as a group experienced an average annual growth rate in exports of 14 percent over the 2000-2009 decade, nearly twice the world average of 7.8 percent.[1] Yet this growth rateis mostly explained by the increase of world prices of fuels and raw materials. These exports with minimum value-addition account for more than 60 percent of total LDCs' exports.

3. It is well documented that African LDCs are extremely dependent on oil and mineral resources. In contrast, small islands, among them Oceania LDCs, depend especially on services exports for a sizeable share of their total exports receipts. In the case of trade in manufactures, a small handful of LDCs dominate, including Bangladesh.

4. The performance of non-LDCs in global trade has also been impressive in recent years. Many of them outside of Africa have been able to increase their share of global trade of manufactured goods. Unfortunately, the exports trade of African non-LDCs is not different from that of the LDCs on the continent. Primary commodities predominate in their exports.

5. From experience this type of performance is not sustainable because of the instability of commodity prices and the fact that primary commodity exports do not support the transformation of these countries' economies. Experience has also shown that countries that have been able to diversify their economies into manufacturing have been able to realize sustainable growth. To date, LDCs and other LDC-like countries with low manufacturing capacities have not been able to realise diversified economies from their natural resources-based trade. Given that the main concern of LDCs and low-income countries (LICs) with low-manufacturing capacities is realising growth that creates jobs and tackles poverty, the current structure of these countries' trade needs to be changed.

[1] WTO document WT/COMTD/LDC/W/48/ Rev.1, 9 March 2011.

II. ECONOMIC CHALLENGES FACED BY LDCS AND LICS IN THE GLOBAL TRADING SYSTEM AND THE IMPORTANCE OF PREFERENCES: A RENEWED FOCUS ON MANUFACTURING

6. The major challenge facing the LDCs and LICs in the current global trading system is not only to increase their share of global trade, but also to significantly enhance their participation in the dynamic sectors of this trade. Such enhancement is critical for making trade an effective instrument for the attainment of rapid and inclusive economic growth. (See Annex 1 for a listing of all countries and their levels of per capita manufactured exports).

7. At present, many LDCs and LICs especially in Africa rely on the export of natural resources. This is largely capital intensive, and provides few opportunities for employment or development. There is theoretical and empirical support for the notion that natural resources exploitation per se does not spread benefits as much as processing and manufacturing. Labour-intensive manufacturing is an effective way of generating jobs. Further, as recently argued by World Bank Chief Economist Justin Lin, labour-costs in Chinese manufacturing are now rising rapidly, creating an opportunity for many of these jobs to be relocated to Africa.[2]Unfortunately, without some help, LDCs and countries with low-manufacturing capacity cannot on their own develop viable and globally competitive manufacturing sectors. Efforts by less developed countries to trade in manufacturing tasks or to develop manufacturing clusters are unlikely to be successful without assistance, given these countries' current level of development.

8. Hence, a phase of privileged market access is needed for LDCs and LICs with low manufacturing capacity to develop their manufacturing sector. Trade preferences for increased access to the developed country markets would do the following:

- Jump-start cluster manufacturing which is important for gaining competitiveness on the international market. In this way it would provide the kind of help the initial firms in the cluster need.

- Enable developing countries' firms to insert themselves in global supply chains by trading in tasks that would otherwise have been impossible due to barriers such as those experienced through tariff escalation.

- Provide the kind of trade protection that is required by the less developed countries. This is protection through privileged market access in developed markets, which is different to the more traditional domestic trade protection. The privileged market access need not be permanent. Once the country can establish competitive clusters or their firms are able to competitively insert themselves in the vertical supply chains, then some of the preferences can be taken away.

9. There is a global consensus on the development potential of non-reciprocal trade preferences.[3] The Enabling Clause of GATT makes it possible for countries to establish such preference systems. Trade

[2] See Justin Lin, 'How to Seize the 85 million Jobs Bonanza' *Lets Talk Development* blog, 27 July, 2011.
[3]Article XXXVI.5 of GATT 1947 states that "The rapid expansion of the economies of the less-developed contracting parties will be facilitated by a diversificationof the structure of their economies and the avoidance of an excessive dependence on the export of primary products. There is, therefore, need for increased access in the largest possible measure to markets under

preferences have also been identified as a tool to enable poor countries to realize their Millennium Development Goal 8 (MDG 8) on global partnership.

10. At present, there are a number of trade preference regimes aimed at assisting LDCs and LICs to integrate into the global trading system. The effectiveness of some of these regimes has been limited by supply side capacity constraints and problems of design and application. The international community is committed to the Aid for Trade initiative to address trade-related capacity building needs of LDCs and LICs. This initiative needs to be complemented with a new approach to trade preferences that will eliminate the short-comings of the existing systems and help in meeting the challenges faced by LDCs and LICs in the global trading system.

III. A NEW DIMENSION TO TRADE PREFERENCES:SUPPORTING LDC REGIONAL INTEGRATION AND CUSTOMS UNIONS

11. Developing countries especially those in Africa have accorded highest priority to regional integration for meeting their challenges of development in today's globalised economy.

12. Manydevelopment partners are already supporting LDCs' and LICs'regional integration processes.[4] However, what is needed is an enhanced preference schemethat will support the consolidation of the regional groupings so that LDCs and LICs can deepen their participation in global trade. Africa needs both to penetrate global markets, and to achieve effective regional integration that can counter the severe fragmentation of its markets. Trade preferences should be designed to reinforce both of these objectives rather than pit one against the other.

13. Preferences designed to support LDC regional integration can boost existing efforts and have the following benefits:

- promote economic diversification
- bring about structural changes and technological development
- enhance productive capacities
- realize economies of scale, and
- improve competitiveness.

14. In concrete terms, when preferences are provided to regional groupings, such efforts can lead to the following impacts:

i) **Consolidation of production.**LDCs and LICs will be encouraged to consolidate production with their neighbours. By doing so, they can more easily meet the demand of bulk orders commonly sought after in the global market place. At present, LDCs are often constrained in this regard.

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favourable conditions for processed and manufactured products currently or potentially of particular export interest to less-developed contracting parties"

[4] For instance, see paragraphs 44 and 45 of the G20 Seoul Summit Document 2010. http://www.g20.org/Documents2010/11/seoulsummit_declaration.pdf

ii) **Vertical linkages and integration.** Many LDCs and LICs are able to supply only some components of a product along a value chain. By providing preferences to their regional block, it would encourage and support LDCs to draw on their respective strengths, create vertical linkages and integration with their neighbours, so that together, they can be supported to access the global market.

iii)**Lowering of production costs within the regional grouping.**By consolidating their FTA or customs union, due to reduced tariffs and other barriers, production costs within the LDC regional grouping will be lower, hence increasing these countries competitiveness.

15. The OECD is a major economic grouping with a significant share of global trade. Access to OECD markets is therefore important for the enhancement of the trade of LDCs. An OECD preference system would present the best chance for LDCs to consolidate their regional groupings and harness the potential of their agriculture and natural resources for development. It would be beneficial to their manufacturing sectors, and the development of manufacturingwhich according to history, is crucial to creating decent jobs, hence reducing poverty.

16. It is for this reasonthat a common and enhanced preference scheme anchored on the concept of Least Developed Countries'Customs Unionis important. **For the purposes of this preference scheme, an LDC customs union is one in which LDC members predominate.**

IV. SOME LESSONS FROM CURRENT PREFERENCE SCHEMES OF OECD COUNTRIES

17. OECD countries provide various non-reciprocal preference schemes for Africa. Some of these schemes are successful in certain aspects, whilst others have strengths in other aspects. Looking at the experiences with these schemes, the following lessons can be drawn:

i) **Regional Integration.**There is need for preference schemes to support not only individual countries but also their regional groupings so as to encourage the creation of regional value chains and to more quickly jump-start economic transformation.

18. The US-provided African Growth Opportunity Act (AGOA), applicable to both African LDCs and non-LDCs has some success in this regard. For example, Madagascar's apparel exports to the US had increased exponentially in the 1990s into early 2000s. The industry developed a regional supply chain, sourcing zippers from Swaziland, denim from Lesotho, and cotton yarn from Zambia and South Africa.[5]

19. Presently, many of the existing schemes offer the best preferences only to LDCs. This overlooks the reality especially in Africa, where African LDCs and their non-LDC neighbours have a practically similar level of economic development and need to work together if they are to have a chance in economic transformation. Aside from the AGOA, most preference schemes do not recognise LDCs' regional groupings. (See Annex 2 for examples of non-LDCs that are in LDC customs unions and which share very similar characteristics to LDCs).

a) **Rules of origin.**To further encourage regional integration and the development of manufacturing capacity, all <u>countries in a customs union</u> should be availed the same rules of origin for their

[5]'Supporting Deeper Regional Integration in Africa', John Page and Nelipher Moyo in
Improving AGOA: Toward a New Framework for U.S.-Africa Commercial Engagement, Brookings Institute, May 2011
http://www.brookings.edu/~/media/Files/rc/reports/2011/0601_improving_agoa/0601_improving_agoa.pdf

exports. They also need rules of origin with common elements across all preference providing countries to allow cumulation and also to lower the costs of manufacturing.

b) **Renewal.**Some existing preference schemes are frequently called up for renewal by the preference-giving country, contributing to an insecure environment for exporters and investors in recipient countries. Schemes should be permanent for as long as countries meet the eligibility requirements. A good example regarding permanence is the EU's Everything But Arms (EBA) for LDCs.

c) **Coverage.**The exports of LDCs and LICs are highly concentrated. The non-reciprocal preference schemes would work better if the coverage would be 100 percentor close to 100 percent with little room for exclusions.

V. CHARACTERISTICS OF THE PROPOSED COMMON AND ENHANCED TRADE PREFERENCE SCHEME

20. Theproposal for a Common and Enhanced OECD Preference Scheme for LDCs and LDC Customs Unions has the following features:

i) Beneficiary countries

21. The Scheme will be provided to the following countries:

a) **Least Developed Countries**.This is a well-recognized category of countries that require additional support. Most OECD countries already provide additional GSP schemes to LDCs.~~The implementation of the new scheme should incorporate appropriate mechanisms to safeguard existing benefits for beneficiaries.~~

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22. The UN defines LDCs as countries which have the following features:

- low income
- human resource weaknesses, based on indicators of health, nutrition, education and literacy; and
- economic vulnerability, based on an array of factors, including the stability of agricultural production and the exposure to natural disasters.

b) **Countries in LDC customs unions**as defined above. This is a customs union where LDCs predominate in the regional bloc. (See Annex 3 for an overview of customs unions and the number of LDCs and non-LDCs in each of these groupings).

23. Acustoms union may be existing or planned. A planned customs union is one where the intention or ambition for such a union is already embodied in legal documents such as declarations or protocols with reasonable timeframes for implementation (See examples in Annex 4).

24. A list of the beneficiary countries of this preference scheme is provided in Annex 5.

ii) Rules of origin

25. In the past the differentiated rules of origin have made it difficult for beneficiary countries to take full advantage of the existing preferences. This differentiation has imposed rigidities and costs that have further undermined the utilisation of preferences.

26. Therefore the rules of origin in the proposed scheme must be transparent, simple and contribute to facilitating market access, regional integration and industrial development. The same rules of origin shall be applied to all countries in an LDC customs union. The preference-giving countries should work towards providing common elements in their rules of origin.

iii) Coverage

27. Some of the existing preferences have not been of much benefit to the recipient countries due to exemptions, including in products in which benefiting countries have potential or actual comparative advantage. The proposed system should have full quota-free product coverage.The implementation of the new scheme should incorporate appropriate mechanisms to safeguard existing benefits for beneficiaries. Developed OECD countries should provide the same duty-free and quota-free (DFQF) package to beneficiary countries.

iv) Non-tariff measures

28. In the past, beneficiaries of trade preferences have been unable to take full advantage of duty-free and quota-free preferences due to technical and other administrative barriers imposed by the preference-giving countries. Therefore, the proposed scheme should ensure that these standards and barriers are not onerous. Adequate technical assistance must be provided to enable beneficiary countries to lower the costs of compliance with these standards. As far as possible, national conformity assessment bodies should be recognized. Also, there should be a process for mutual recognition of standards.

v) Competitiveness-building accompanying measures

29. Ultimately, the beneficiary countries want to be able to compete within the multilateral trading system without preferences. It is also to be noted that future general liberalization of trade will lead to the erosion of preferences so that actions to harness the opportunity constituted by preferences are urgent. Beneficiary countries may not be able to get the advantage of the preferences before they have attained the stage of global competitiveness. Consequently, the proposed scheme of preferences should contain a mechanism that will help them accelerate the attainment of competitiveness.

vi) Preference-Giving Countries

30. The proposed scheme will be applied by developed OECD countries and developed regional groupings as well as the developing countries that are in a position to do so.

vii) Graduation from Preference System

31. When countries and their customs unions do become more developed (i.e. they move out of the LDC category, or their manufacturing sector grows), these countries and customs unions graduate out of this Common and Enhanced OECD Preference System. Graduation takes place under one of the following conditions:

a) Countries must have already graduated from LDC status for 5 years. This applies *if* a country is not part of an LDC Customs Union; or

b) LDC Customs Unions graduate from the Scheme when at least 60 percent of the countries in the Customs Union arenon-LDC (i.e. 40 percent of countries in the Custom Union are LDCs) for at least a continuous period of 5 years.

VI. WTO-COMPATIBILITY OF THE PROPOSED PREFERENCE SYSTEM

32. The proposed preference system is fully WTO-compatible; no waiver is required for its application by developed preference-giving countries. It conforms to the rules of the Generalised System of Preferences (GSP), agreed upon by the international community in UNCTAD's 'Agreed Conclusions of the Special Committee on Preferences' (1970)[6] and made a permanent feature of the GATT/WTO legal framework through the Enabling Clause (1979).[7]

33. The Enabling Clause applies to tariff preferences granted by developed countries to developing countries. Other trade preferences such as quotas and rules of origin are not covered by the Most Favoured Nation principle (Article I of the GATT 1947). Differential and more favourable treatment in these areas does not require a waiver at WTO.

34. Preferences under the GSP have to be "generalized, non-reciprocal and non-discriminatory".The principle of "non-discrimination" means that all countries sharing the same needs would receive the same preferences. For example, the LDCs are explicitly recognised as countries sharing the same needs.

35. Since the 1970s, the principle of "non-discrimination" with respect to the GSP has been subject to legal developments:

- **Preferences should be provided "commensurate with the needs of economic development".** The WTO was established in 1994. The Preamble to the WTO Agreement, which informs all the covered agreements including the GATT 1994 and the Enabling Clause, explicitly recognizes that the "need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development." In other words, countries with a similar level of economic development but not belonging to the LDC Group should be subject to the same level of positive efforts, i.e. should receive the same preferences. Annex 2 gives an overview of non-LDCs that share similar characteristics with LDCs.

- **There is a growing international consensus that trade preferences should be provided to an "LDC-plus" group of countries.** The practice of preference-giving countries illustrates this point. For instance, Norway's duty-free quota-free preferences to LDCs are extended to several non-LDCs. These 'low-income countries' are defined by the OECD's Development Assistance Committee (DAC). Since 2008, 14 non-LDCs are involved.[8] Furthermore, Norway also offers

[6]This document is contained as Annex D-4 in WTO document WT/DS246/R, 2003
[7]Decision of 28 November 1979, GATT document L/4903
[8]They include Cameroon, DR Congo, Cote d'Ivoire, Ghana, Kenya, Korea DR, Kyrgyz Rep, Moldova, Mongolia, Nicaragua, Papa New Guinea, Tajikistan, Uzbekistan and Zimbabwe. See WTO document WT/COMTD/N/6/Add.4, 10 April 2008.

'special provisions' to Namibia, Botswana and Swaziland. This is an interesting precedent. When Norway presented the scheme to the Committee on Trade and Development, WTO Members did not contest it or raise objections.

36. Furthermore, this concept is supported by various trade-related NGOs.[9][10]

- **The requirement of 'non-discrimination' does not mean that uniform treatment must be given to all developing countries.** In the 2004 case *EC-Conditions for the Granting of Tariff Preferences to Developing Countries* the WTO's Appellate Body stated that

'We read paragraph 3(c) [of the Enabling Clause] as authorizing preference-granting countries to "respond positively" to "needs" that are not necessarily common or shared by all developing countries. Responding to the "needs of developing countries" may thus entail treating different developing-country beneficiaries differently'[11]

Different treatment may be provided to countries sharing a widely recognized development, financial or trade need. Regional integration is widely recognized as a need especially in the case of Africa, as described in section III. It is evident that non-LDCs in an LDC customs union share common need for regional integration. All countries in or working towards a customs union are (increasingly) economically integrated and must have common policies, in particular on external trade.

37. In conclusion, the proposed preference system is non-discriminatory and conforms to the rules of the GSP. WTO-compatibility issues would not be a barrier for developed OECD countries to implement the system.

[9] CUTS/ICTSD/IDEAS Centre. LDCs' Trade and Investment Challenges. A report and action plan of a group of NGOs in view of the Istanbul Summit of Least Developed Countries in May/June 2011, http://ictsd.org/i/publications/94564/

[10] Recommendations by the CONCORD Trade Reference Group for a development centred reform of the EU's Generalised System of Trade Preference, 30 June 2011, http://www.concordeurope.org/Files/media/0_internetdocumentsENG/4_Publications/3_CONCORDs_positions_and_studies/Positions2011/CONCORDTradeReferenceGroup_Preliminary-statement-on-GSP-reform_30-June-2011.pdf

[11] WTO document WT/DS246/AB/R, paragraph 163, 2004

Annex 1:

All Countries and Their Levels of Per Capital Manufactured Exports

Country	Manufactured exports 2009	Population 2009	Man/Cap 2007	Man/Cap 2008	Man/Cap 2009	Manufactured exports per capita,3yr average, 2007-2009
Singapore	197,451	5	48,462	49,424	49,482	46,277
China, Hong Kong SAR	295,915	7	43,695	47,045	48,686	46,026
Belgium	272,980	11	25,688	30,190	32,384	29,393
Luxembourg	10,350	1	24,628	27,701	29,760	26,087
Ireland	98,982	4	21,697	23,959	24,693	23,695
Switzerland	153,309	8	17,711	20,445	23,334	21,298
Netherlands	294,190	17	14,595	17,536	18,241	17,848
Austria	105,369	8	13,001	15,500	16,726	14,938
Sweden	99,053	9	12,524	14,249	14,884	13,257
Germany	917,632	82	11,535	13,285	14,564	12,995
Finland	50,894	5	11,918	13,717	14,804	12,683
Denmark	59,686	6	10,557	12,033	13,325	12,054
Slovenia	19,346	2	9,103	11,534	12,591	11,228
Czech Republic	97,860	10	8,220	10,574	12,295	10,748
Slovakia	48,550	6	6,353	9,165	11,050	9,707
Hungary	73,373	10	6,172	7,639	8,663	7,879
Korea, Republicof	322,755	48	6,140	6,959	7,651	7,113
United Arab Emirates	48,680	7	6,434	6,543	6,772	6,777
France	364,497	62	6,187	6,907	7,414	6,719
Italy	334,391	60	5,971	7,094	7,509	6,718
Gibraltar	140	-	6,265	7,105	7,135	6,342

Country	Manufactured exports 2009	Population 2009	Man/Cap 2007	Man/Cap 2008	Man/Cap 2009	Manufactured exports per capita,3yr average, 2007-2009
Malta	2,095	0	6,324	6,814	6,445	6,101
Canada	156,429	34	6,569	6,772	6,375	5,930
Estonia	6,462	1	4,725	5,623	6,730	5,723
Norway	24,144	5	4,244	5,276	6,197	5,489
Japan	507,938	127	4,635	5,063	5,475	4,851
United Kingdom	246,945	62	5,533	5,169	5,102	4,759
American Samoa	293	0	714	3,641	5,302	4,434
Israel	33,398	7	3,307	3,245	5,240	4,362
Spain	171,806	46	3,680	4,291	4,512	4,189
Malaysia	109,394	28	4,435	4,611	3,920	4,148
New Caledonia	698	0	2,968	4,114	3,484	3,474
Portugal	30,904	11	3,008	3,608	3,754	3,420
Bahrain	3,127	1	2,669	3,602	3,856	3,377
Iceland	781	0	2,186	4,175	3,284	3,312
Lithuania	9,075	3	2,394	3,249	3,893	3,286
Poland	109,662	38	2,259	2,907	3,582	3,118
China, Macao SAR	772	1	4,681	4,506	3,252	3,071
Falkland Islands(Malvinas)	8	-	611	532	5,861	3,021
Qatar	3,749	2	3,450	3,286	3,215	2,949
Saint Helena	7	-	2,430	2,483	4,569	2,905
United States	718,818	308	2,745	2,981	3,155	2,824
Trinidad and Tobago	1,635	1	2,218	2,881	3,518	2,541
Latvia	4,293	2	1,525	2,084	2,541	2,174
Kuwait	4,110	3	1,434	1,755	2,591	1,966
Croatia	7,013	4	1,541	1,911	2,228	1,910

Country	Manufactured exports 2009	Population 2009	Man/Cap 2007	Man/Cap 2008	Man/Cap 2009	Manufactured exports per capita,3yr average, 2007-2009
Mexico	172,455	112	1,753	1,784	1,918	1,747
Thailand	108,118	69	1,444	1,696	1,839	1,703
New Zealand	6,297	4	1,605	1,764	1,807	1,676
Romania	32,101	22	1,176	1,484	1,756	1,577
Faeroe Islands	56	-	495	581	2,759	1,499
World	8,370,093	6,818	1,262	1,429	1,546	1,401
Belarus	10,133	10	1,015	1,327	1,777	1,385
Costa Rica	6,030	5	1,154	1,332	1,454	1,366
Bulgaria	8,709	8	1,047	1,348	1,518	1,340
Turkey	78,238	72	1,000	1,240	1,465	1,265
Oman	4,077	3	631	915	1,314	1,244
Bahamas	373	0	1,385	1,137	1,358	1,200
Australia	22,594	22	1,054	1,223	1,333	1,196
Tunisia	10,888	10	856	1,045	1,349	1,148
TFYR of Macedonia	1,369	2	815	1,246	1,509	1,140
Greece	11,592	11	948	1,093	1,215	1,110
Mauritius	1,223	1	1,124	1,025	1,021	998
Saudi Arabia	20,105	27	832	974	1,026	917
China	1,123,018	1,335	680	858	1,001	900
Andorra	53	0	1,195	1,085	847	856
Jordan	4,565	6	654	793	1,013	854
Ukraine	28,938	46	592	782	1,013	810
Cyprus	752	1	747	742	784	739
Bosnia and Herzegovina	2,515	4	523	680	860	736
Brunei Darussalam	172	0	685	1,051	670	720

Country	Manufactured exports 2009	Population 2009	Man/Cap 2007	Man/Cap 2008	Man/Cap 2009	Manufactured exports per capita,3yr average, 2007-2009
Barbados	209	0	784	525	805	698
Antigua and Barbuda	55	0	728	701	607	645
Netherlands Antilles	129	0	1,072	704	563	639
Saint Kitts and Nevis	33	0	732	608	590	613
South Africa	23,909	50	515	613	725	606
Aruba	57	0	810	565	697	600
Serbia and Montenegro	5,381	11	361	504	735	584
Nauru	11	-	220	406	242	583
Dominican Republic	3,708	10	563	586	535	500
Russian Federation	55,952	143	363	472	591	485
El Salvador	2,620	6	460	484	545	485
Namibia	958	2	306	406	595	476
Argentina	17,790	40	379	439	544	475
Kazakhstan	5,721	16	276	408	625	465
Equatorial Guinea	109	1	387	671	532	454
Lebanon	1,805	4	304	389	515	445
Lesotho	773	2	396	456	501	439
Philippines	32,791	92	469	483	450	430
Swaziland	345	1	836	623	357	425
Honduras	2,126	7	457	457	504	415
Uruguay	1,276	3	348	400	458	413
Chile	5,634	17	372	396	476	401
Seychelles	34	0	469	380	389	388
Brazil	58,380	193	364	395	452	383
Anguilla	8	-	153	294	286	379
Turks and	15	-	293	268	463	375

Country	Manufactured exports 2009	Population 2009	Man/Cap 2007	Man/Cap 2008	Man/Cap 2009	Manufactured exports per capita,3yr average, 2007-2009
CaicosIslands						
Viet Nam	32,245	87	242	311	397	360
Niue	-	-	613	983	11	335
Morocco	8,919	32	269	307	401	330
Marshall Islands	14	0	395	344	356	323
Samoa	32	0	270	443	331	317
Saint Lucia	62	0	146	189	376	307
Greenland	15	0	314	300	343	303
Bhutan	204	1	367	598	11	298
Dominica	19	0	354	296	278	286
Cambodia	3,571	14	249	270	301	275
Venezuela(Bolivarian Republic of)	8,583	29	226	250	247	266
Botswana	493	2	164	277	271	266
Albania	818	3	178	226	295	259
Guatemala	3,107	14	86	256	265	248
Libyan Arab Jamahiriya	1,030	6	216	243	315	241
Colombia	8,931	46	197	262	260	239
Syrian Arab Republic	4,938	20	185	208	241	232
Sri Lanka	4,385	21	219	237	244	231
Republic of Moldova	654	4	163	226	278	228
Fiji	142	1	188	221	261	216
Gabon	265	2	152	223	241	214
Indonesia	46,751	237	193	207	224	210
Montserrat	2	-	71	101	232	206
Panama	472	4	203	220	208	188

Country	**Manufactured exports 2009**	**Population 2009**	**Man/Cap 2007**	**Man/Cap 2008**	**Man/Cap 2009**	**Manufactured exports per capita,3yr average, 2007-2009**
Guam	23	0	51	83	297	170
French Polynesia	31	0	181	133	249	166
Saint Vincent and the Grenadines	16	0	78	147	171	154
Grenada	15	0	111	182	121	148
Saint Pierre and Miquelon	1	-	4,776	77	221	141
Georgia	518	4	90	124	176	140
Suriname	82	1	91	160	99	139
Peru	3,270	29	99	119	145	126
Uzbekistan	3,684	27	54	102	133	124
Armenia	192	3	108	149	135	115
Bermuda	5	0	185	171	67	107
Turkmenistan	581	5	69	77	105	100
Bangladesh	14,507	147	75	81	101	93
Egypt	9,145	80	38	39	123	92
Occupied Palestinian territory	317	4	76	92	97	90
Jamaica	290	3	49	61	102	90
Ecuador	1,171	14	81	78	100	87
Pakistan	13,446	171	85	87	89	85
Guyana	35	1	79	145	57	83
Iran(Islamic Republic of)	5,546	73	61	78	85	80
India	100,279	1,208	60	68	82	78
Azerbaijan	631	9	76	90	68	76
Côte d'Ivoire	1,575	19	86	78	64	74

Country	Manufactured exports 2009	Population 2009	Man/Cap 2007	Man/Cap 2008	Man/Cap 2009	Manufactured exports per capita,3yr average, 2007-2009
Nicaragua	126	6	12	21	154	66
Senegal	771	12	42	49	71	61
Kyrgyzstan	218	5	50	70	71	61
Paraguay	340	6	49	60	67	60
Vanuatu	18	0	31	10	76	55
Mongolia	120	3	62	35	73	51
Togo	242	6	36	46	64	50
Zimbabwe	698	13	39	52	43	50
Cuba	554	11	41	37	47	44
Korea, DPR	799	24	41	44	55	44
Kenya	1,522	40	34	40	49	43
Zambia	417	13	29	45	49	42
Haiti	449	10	42	43	37	42
Madagascar	596	20	26	42	52	41
Belize	14	0	32	61	14	40
Lao People's Dem.Rep.	239	6	33	35	41	38
Bolivia(Plurinational State of)	299	10	46	35	41	35
Myanmar	1,662	48	24	33	35	34
Kiribati	4	0	16	24	35	32
Mayotte	5	0	35	32	34	31
Liberia	87	4	33	37	29	30
Cape Verde	11	1	19	18	31	24
Papua New Guinea	126	7	22	22	24	22
Nepal	589	29	20	20	21	20
Sierra Leone	103	6	22	22	19	20

Country	Manufactured exports 2009	Population 2009	Man/Cap 2007	Man/Cap 2008	Man/Cap 2009	Manufactured exports per capita,3yr average, 2007-2009
Tajikistan	100	7	21	22	22	20
Congo	91	4	15	13	20	19
Ghana	432	24	23	20	17	19
Djibouti	21	1	27	16	16	19
Algeria	392	35	17	17	24	17
Uganda	456	32	6	12	18	15
Yemen	254	23	10	10	20	13
Tanzania	493	44	7	9	16	12
Palau	-	-	10	13	16	12
Benin	97	9	8	12	12	12
Burkina Faso	197	16	15	13	10	12
Comoros	8	1	10	14	8	12
Micronesia	1	0	6	16	12	11
Angola	313	19	2	6	9	11
Tonga	1	0	4	5	12	10
Tuvalu	-	-	4	3	9	9
Nigeria	1,016	155	4	6	13	9
Iraq	438	31	13	5	5	8
Mozambique	183	23	10	6	7	7
Cameroon	129	19	6	7	7	7
Malawi	101	14	7	7	6	7
Gambia	26	2	1	1	2	6
Mauritania	26	3	11	4	5	5
Mali	79	15	3	3	7	5
Afghanistan	215	31	2	2	6	5
Chad	71	11	4	3	5	5

Country	Manufactured exports 2009	Population 2009	Man/Cap 2007	Man/Cap 2008	Man/Cap 2009	Manufactured exports per capita,3yr average, 2007-2009
Solomon Islands	3	1	5	3	6	5
Guinea	48	10	3	3	5	4
Timor-Leste	3	1	4	4	5	4
Niger	67	15	6	4	3	4
Burundi	38	8	11	4	2	4
Somalia	7	9	1	6	2	3
Central African Republic	10	4	1	2	4	3
Sao Tome and Principe	-	0	1	5	3	3
Sudan	68	43	2	5	2	3
Wallis and Futuna Islands	-	-	2	2	3	3
Rwanda	31	10	2	2	1	2
Ethiopia	160	81	1	2	2	2
Guinea-Bissau	2	2	1	1	1	1
DR Congo	61	64	1	1	1	1
Eritrea	4	5	1	1	1	1
Maldives	-	0	2	-	-	-

Sources

Manufactured exports in million USD	UnctadStat, http://unctadstat.unctad.org
Population estimation, in millions	UNDESA, Population Division, Population Estimates and Projections Section World Population Prospects, the 2010 Revision http://esa.un.org/unpd/wpp/Excel-Data/population.htm

Annex 2:

Non-LDCs that Share Similar Characteristics with LDCs

The following is a collation of the results of the UN's Economic and Social Council's Committee for Development Policy's assessment of countries and whether they should or should not be LDCs. To qualify as LDCs, countries must meet three criteria:

- low income;
- human resource weaknesses, based on indicators of health, nutrition, education and literacy; and
- economic vulnerability, based on an array of factors, including the stability of agricultural production and the exposure to natural disasters.

Eligibility for LDC status is assessed once every three years. The next assessment will take place in 2012. A country is considered for LDC status once it is a low income country as defined by the World Bank. A lower middle-income country that would meet the human resources and economic vulnerability criteria cannot be classified as an LDC. Also, since 1991 countries with a population of over 75 million cannot be classified as an LDC with the exception of countries that were qualified as LDCs before 1991.

A country qualifies for LDC status when it meets all three criteria for inclusion. It graduates when it meets the graduation thresholds for two out of three criteria or when its income level is twice the graduation threshold, for at least two consecutive evaluations.Graduation thresholds have been set higher than inclusion thresholds.

Summary table

Country	**Did the country meet the criteria to become an LDC?**
Botswana	Was an LDC since 1971, and graduated in 1994.
Cameroon	Satisfied the LDC criteria in 1997, and if it had joined the LDC ranks, it would not yet have graduated.
Cape Verde	Graduated in 2007, although it was still acknowledged as economically vulnerable.
Congo, Rep	Satisfied the LDC criteria in 2000 and 2006 but it has remained a non-LDC.
Cote d'Ivoire	Almost became an LDC in 1997, and if so, would not yet have graduated
Equatorial Guinea	Found to be eligible for graduation in 2009. However, they have graduated only because of high GDP and are still lagging behind in the other two criteria – human resource weakness and economic vulnerability.
Ghana	Satisfied LDC criteria in 1991 and 1994, and if it had become an LDC it would not yet have graduated.
Kenya	Satisfied LDC criteria in 1991, and if it had become an LDC, it would not yet have graduated.
Nigeria	Satisfies all the LDC criteria but has not been added to the LDC group because it has a population of more than 75 million.
Zimbabwe	Eligible to be LDC in 2006 and again in 2009, but Zimbabwe did not want to be downgraded

The table below showsthe inclusion and graduation thresholds for each of the three criteria. The exact way in which the criteria have been calculated, and the thresholds changeover time. It is therefore not useful to compare thresholds and scores of one year against the scores attained in another.

LDC inclusion and graduation criteria

Criterion	Inclusion / Graduation	1991	1994	1997	2000	2003	2006	2009
Income: GNI per capita[12]	Inclusion	600	699	800	900	750	745	905
	Graduation	700 (100)	799 (100)	900 (100)	1,035 (15%)	900 (20%)[13]	900 (20%)[14]	1,086 (20%)[15]
Human resources index[16]	Inclusion	47	47	47	59	55	58	60
	Graduation	52 (5)	52 (5)	52 (5)	68 (15%)	61 (10%)	64 (10%)	66 (10%)
Economic vulnerability index[17]	Inclusion	22	26	26	36	37	42	42
	Graduation	25 (3)	29 (3)	29 (3)	31 (15%)	33[18] (10%)	38 (10%)	38 (10%)

For ten African non-LDCs, we look at the scores on all three criteria between 1991 and 2009. A strikethrough means that the graduation threshold was met.

Botswana: LDC since 1971. Graduated in 1994

	1991	1994
GDP/capita	~~1,625~~	~~2,795~~
Human resource index	~~52~~	~~55~~
Economic vulnerability index	~~12~~	~~19~~

No data is available after 1994 as the country has not been considered by the Committee for Development Policy's due to its income status.

Cameroon: LDC-like since 1997, fulfilled the graduation criteria in 2009.

The Committee for Development Policy did not recommend Cameroon's inclusion on the LDC list in 1997because of its oil, even though it fulfilled all the criteria.If it had been an LDC, it would have fulfilled the graduation criteria in 2009.

	1997	2000	2003	2006	2009
GDP/capita	640	757	583	667	~~983~~
Human resource index	45.2	43.6	43.8	46.7	47.1
Economic vulnerability index	21.4	~~32.8~~	~~31.9~~	~~33.1~~	~~31.3~~

[12]Before 2003, GDP per capita.
[13] Three year average (1999-2001), both for inclusion and graduation
[14]Three year average (2002-2004), both for inclusion and graduation
[15]Three year average (2005-2007), both for inclusion and graduation
[16] Before 2003, APQLI. At present Human Asset Index (HAI)
[17] Before 2000, EDI. At present EVI.
[18] With the inclusion of the percentage of population displaced by natural disasters, the threshold for inclusion would be a value of 38 and for graduation 34.

***Cape Verde**: LDC since 1977. Graduated in December 2007*

However, it is still weak on the economic vulnerability index.

	1991	**1994**	**1997**	**2000**	**2003**	**2006**	**2009**
GDP/capita	~~741~~	~~940~~	~~941~~	~~1,089~~	~~1,323~~	~~1,487~~	~~2,180~~
Human resource index	49	~~63~~	~~68.9~~	~~72.6~~	~~72~~	~~82.1~~	~~81.9~~
Economic vulnerability index	17	17	24.8	57	55.5	57.9	48.1

***Congo**: LDC-like, at least between 2000 – 2006*

Congo fulfilled all the three criteria in 2000, maybe earlier. However, the Committee decided not to recommend the Congo for inclusion in the list of least developed countries despite the low scores on per capita GDP and human resources (APQLI). It noted then that the general deterioration in its economic and social situation was associated with civil war and its high level of economic vulnerability was associated with its status as an oil exporter.

	1991	**1994**	**1997**	**2000**	**2003**	**2006**	**2009**
GDP/capita	n/a	n/a	n/a	850	610	680	n/a
Human resource index	n/a	n/a	n/a	57.2	~~55.2~~ (LDC inclusion threshold = 55)	52.5	n/a
Economic vulnerability index	n/a	n/a	n/a	46.9	50.3	49.6	n/a

Cote d'Ivoire: almost qualified as an LDC in 1997

If it had joined the LDC ranks then, it would not yet have graduated.

	1997	**2000**	**2003**	**2006**	**2009**
GDP/capita	700	757	687	683	870
Human resource index	36.4	43.6	43.0	41.0	40.3
Economic vulnerability index	26.5 (LDC inclusion threshold was 26)	~~32.8~~	~~25.4~~	~~33.5~~	~~31.5~~

***Equatorial Guinea**: High income since 2006, but still weak and LDC-like on other criteria*

In 2009, the Committee for Development Policy found Equatorial Guinea eligible for graduation due to its GDP and recommends the country's graduation. The country however still lags behind in the other two criteria.

	1991	1994	1997	2000	2003	2006	2009
GDP/capita	400	474	403	~~1,093~~	743	~~3,393~~	~~8,957~~
Human resource index	32	35	44.4	51.9	47.2	55.6	49.5
Economic vulnerability index	14	16	15	55.8	64.4	70.7	60.5

Ghana: LDC-like, at least since 1991 to now

The country has fulfilled the LDC criteria 3 times since 1991. If it had acceded to LDC status, it would not yet have graduated.

	1991	1994	1997	2000	2003	2006	2009
GDP/capita	360	409	361	390	337	323	513
Human resource index	42	40	~~49.4~~	57.0	~~57.9~~	56.2	~~63.5~~
Economic vulnerability index	19	26	23.4	43.1	40.9	~~41.5~~	44.5

Kenya: LDC-like, at least since 1991 to now

Kenya could have become an LDC in 1991, having satisfied the criteria. The Committee for Development Policy however found it a 'borderline case' and did not recommend its inclusion. If it had been included as an LDC, it would not yet have graduated.

	1991	1994	1997	2000	2003	2006	2009
GDP/capita	375	346	270	335	350	407	597
Human resource index	44	47	~~50.8~~	53.6	49.3	50.6	55.9
Economic vulnerability index	22	~~28~~	25.2	~~27.8~~	~~28.4~~	~~24.2~~	~~18.4~~

Nigeria: LDC-like, at least since 1991 to now

The country should be an LDC. It repeatedly satisfies all the criteria. It is not an LDC only because of the criteria since 1991 that LDC countries should have populations smaller than 75 million (Bangladesh was already an LDC in 1971 and was allowed to stay on in the LDC category in 1991, despite having a population of over 75 million).

	1991	1994	1997	2000	2003	2006	2009
GDP/capita	230	282	394	299	267	347	780
Human resource index	35	35	46.5	54.3	52.3	50.0	50.6
Economic vulnerability index	5	7	5.7	58.4	52.8	44.8	42.4

Zimbabwe: LDC-like since 2006

In 2006, the Committee found that Zimbabwe was eligible for inclusion. However, Zimbabwe did not give its consent to be downgraded to LDC status. In the last Committee for Development Policy report of 2009, the Committee advised Zimbabwe again to join the group of LDCs.

	1991	**1994**	**1997**	**2000**	**2003**	**2006**	**2009**
GDP/capita	n/a	584	726	708	463	430	340
Human resource index	n/a	~~56~~	~~54.8~~	63.4 (LDC inclusion threshold was 59)	56.5 (LDC inclusion threshold was 55)	53.0	56.3
Economic vulnerability index	n/a	~~38~~	~~34.2~~	40.9	33.7	47.9	64.3

Referenes

ECOSOC 1991 E/1991/32; ECOSOC 1994 E/1994/22; ECOSOC 1997 E/1997/35; ECOSOC 2000 E/2000/33;ECOSOC 2003 E/2003/33;ECOSOC 2006 E/2006/33;ECOSOC 2009 E/2009/33.

Annex 3:

Overview of customs unions and the number of LDCs and non-LDCs

Existing or Planned Customs Union	Number of Countries			Share of LDCs (%)
	Members	LDCs	Non LDCs	
West African Economic and Monetary Union (WAEMU)	8	7	1	88
East African Community (EAC)	5	4	1	80
Economic Community of West African States (ECOWAS)	15	11	4	73
Africa Free Trade Zone / Tripartite EAC-SADC-COMESA	26	16	10	65
Common Market for Eastern and Southern Africa (COMESA)	19	12	7	63
Communauté Economique des Etats de l'Afrique Centrale (ECCAS)	10	6	4	60
Southern African Development Community (SADC)	15	8	7	53
Economic and Monetary Community of Central Africa (CEMAC)	6	3	3	50
Southern African Customs Union (SACU)	5	1	4	20
Arab Maghreb Union (AMU)	5	1	4	20
Caribbean Community Single Market and Economy (CSME)	15	1	14	7
Central American Integration System (SICA)	8	0	8	0
Andean Community (CAN)	4	0	4	0
Southern Common Market (MERCOSUR)	4	0	4	0

Annex 4:

Examples ofPlanned Customs Unions and their UnderlyingLegal Documents

Planned customs union	Document(s)
CEMAC	Revised CEMAC Treaty[19]
ECCAS (CEEAC)	ECCAS Treaty[20]
SADC	Regional Indicative Strategic Development Plan 2003 (RISDP)
ECOWAS	Revised ECOWAS Treaty[21]
COMESA	COMESA Treaty (Article 45 and 47)[22]
Tripartite (EAC-COMESA-SADC)	Final Communiqué of the COMESA-EAC-SADC Tripartite Summit of Heads of State and Government, Kampala, 2008 Draft Tripartite FTA

Annex 5:

Beneficiary Countries of Common and Enhanced Preference System

Using the criteria provided in the proposal, the following countries will be recipients of this preference system:

EAC Burundi, Kenya, Rwanda, Uganda, Tanzania
ECCAS Angola, Burundi, Cameroon, Central African Republic, Chad, Congo, DR Congo, Equatorial Guinea, Gabon, Rwanda, Sao Tome and Principe
ECOWAS Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, , Niger, Nigeria, Senegal, Sierra Leone, Togo
COMESA Burundi, Comoros, DR Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia, Zimbabwe
SADC Angola, Botswana, DR Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe
OtherLDCs Afghanistan, Bangladesh, Bhutan, Cambodia, Haiti, Kiribati, Laos, Mauritania,Myanmar, Nepal, Samoa, Solomon Islands, Somalia, Timor-Leste, Tuvalu, Vanuatu, Yemen

[19] http://www.cemac.int/TextesOfficiels/traite_revise_cemac.pdf
[20] http://www.ceeac-eccas.org/pdf/traites/ECCASpercent20Treaty.pdf
[21] http://www.worldtradelaw.net/fta/agreements/ecowasfta.pdf
[22] about.comesa.int/attachments/comesa_treaty_en.pdf

<u>Annex 6:</u>

<u>WTO and Non-Reciprocal Preference Schemes</u>

The WTO provides for non-reciprocal preferential schemes in the following manner:

i) as a <u>generalized</u>, non-discriminatory package for developing countries through developed countries' Generalised System of Preferences (GSP) programmes, legalized under the WTO's Enabling Clause, or

ii) As <u>non-generalised</u> schemes applicable specifically only to certain regions or countries and legalized through a waiver.

Box: How Non-Reciprocal Preferences can be provided under WTO Rules

Generalised	Generalised System of Preferences as defined by the Agreed Conclusions of the UNCTAD Special Committee on Preferences (1970). It has been made a permanent feature of the GATT/WTO legal framework since the Enabling Clause (paragraph 2(a) and (d)). [23] *Examples:* • Preferences to LDCs such as the EBA by the EU; or • Duty-free quota-free market access by Norway to LDCs plus other low-income developing countries
Non-generalised	**Article XXV; Uruguay Round 'Understanding in Respect of Waivers of Obligations under GATT 1994'; and Article IX: 3-4 of the Marrakesh Agreement establishing the WTO** *Examples:* • US: Africa Growth Opportunity Act (AGOA); Caribbean Basin Economic Recovery Act • EU: Moldova; Western Balkans • Canada: CARIBCAN (Caribbean countries)

[23]Part IV of GATT on Trade and Development (Article XXXVI to XXXVIII) also provides a basis for preferences and has historically also been the basis to argue for the validity of non-generalised preferences. Article XXXVI.5 states that "The rapid expansion of the economies of the less-developed contracting parties will be facilitated by a diversification* of the structure of their economies and the avoidance of an excessive dependence on the export of primary products. There is, therefore, need for increased access in the largest possible measure to markets under favourable conditions for processed and manufactured products currently or potentially of particular export interest to less-developed contracting parties."