March 15, 2007

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
1724 F Street, NW
Washington, D.C. 20508

Via Electronic Mail: FR0704@ustr.eop.gov

RE: DUTY-FREE/QUOTA-FREE MAREKT ACCESS FOR LEAST-DEVELOPED COUNTRIES

Dear Ms. Blue:

On behalf of Wal-Mart Stores, Inc., I am pleased to submit the following comments on the implementation of the WTO commitment to provide duty-free, quota-free (DFQF) market access for the least-developed countries (LDCs). Wal-Mart strongly supports this initiative and looks forward to working with USTR to create the necessary environment for full utilization of this program by least-developed countries. We believe the DFQF initiative represents and excellent opportunity for a full-scale review of all trade preference programs with the aim of enhancing participation, and ultimately the economic growth of all developing countries.

Wal-Mart Stores, Inc. operates Wal-Mart discount stores, Supercenters, Neighborhood Markets and Sam's Club locations in the United States. The Company also operates in Argentina, Brazil, Canada, China, Costa Rica, El Salvador, Guatemala, Honduras, Japan, Mexico, Nicaragua, Puerto Rico and the United Kingdom. Wal-Mart employs 1.8 million associates worldwide and more than 1.3 million in the United States, making the company not only the largest private employer in the U.S., but the largest in Mexico and one of the largest private employers in Canada as well.

Importance of Preference Programs
Wal-Mart uses of many U.S. tariff preference programs extensively, including the U.S. Generalized System of Preferences (GSP), the Andean Trade Preferences and Drug Eradication Act (ATPDEA), the Caribbean Basin Trade Partnership Act (CBTPA) and

the African Growth and Opportunity Act (AGOA). These programs are a win-win for developing countries and consumers alike, as they allow us to provide competitively priced products to working families, while facilitating the development of small industries in developing countries. According to a study by The Trade Partnership, finished consumer goods represent 25% of all GSP imports, saving consumers a total of $273 million in 2005. [1] For example, tariffs on low-end sneakers range between 48 and 67 percent. Eliminating the tariffs on these products from LDCs would benefit both the LDCs and U.S. consumers who purchase these shoes.

Shortcomings of Current Programs

While GSP and other tariff preference programs have worked to stimulate development in many of the poorest countries around the world, statutory exclusions of many key products have prevented the programs from reaching their full potential. For example, GSP covers only 4,600 of the nearly 10,000 U.S. tariff lines. Many of the products that are excluded from the program are the very ones in which developing countries are the most competitive. Excluded products include textile and apparel products, footwear, leather goods and agricultural products. As a result, Bangladesh, a Least Developed Country, receives preferential access for only 0.8% of the products it exports to the United States. While the African Growth and Opportunity Act provides access for an additional 1,200 products, many key products remain excluded.

The broad range of U.S. tariff preference programs (GSP, AGOA, CBPTA, ATPDEA) is a testament to American engagement on behalf of developing countries. Unfortunately, each of these programs relies on distinct rules of origin and product eligibility criteria, making compliance difficult for beneficiary countries and preventing efficient use of the programs. For instance, the same product may qualify for several different tariff preference programs, or conversely, it might qualify under one program and not another. This creates significant compliance costs for beneficiary countries, preventing these tariff preference programs from accomplishing their desired objective.

Finally, many of our existing tariff preference programs have recently been subject to fairly short-term renewals. For example, the GSP program was stopped and started over five times from 1994 to 2001, before its recent five-year extension. According to the Trade Partnership, frequent expirations and short renewals caused GSP usage to decline by an average of 2.2 percent annually from 1994 to 2001. In contrast, when the program was renewed for a full five years, U.S. imports increased by an average of 11 percent annually.[2]

Recommendation for Improvements

We believe that the WTO commitment to providing duty-free, quota-free access for least developing countries provides an excellent opportunity to address some of the shortcomings of the existing U.S. tariff preference programs. Following please find some recommendations for improvements to the program:

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[1] "Estimated Impacts of the U.S. Generalized System of Preferences to U.S. Industry and Consumers," The Trade Partnership, November 1, 2006.

[2] "The U.S. System of Preferences Program: An Update," The Trade Partnership, October 2006.

Grant 100% duty-free, quota-free access to all least-developed countries
The U.S. should grant 100% duty-free, quota free access for all products of Least-Developed Countries. Many of the products that are excluded from current tariff preference programs are no longer produced in the United States, such as watches, certain glass products, footwear, some handicrafts, leather products, and some electronics. In addition, elimination of tariffs on products such as footwear and agricultural products will benefit lower-income consumers in the United States, by removing regressive taxes on these essential goods. Finally, 100% duty-free, quota free access will dramatically increase welfare gains to developing countries participating in the program

Consolidate preference programs into one program with simple rules
As noted above, the myriad of rules for the many regional U.S. tariff preference programs hinders optimal use of these programs by U.S. businesses and developing countries. To address this shortcoming, we recommend that USTR create one, consolidated tariff preference program for all developing countries, with clear eligibility criteria. As noted above, 100% of products for least-developed nations should be granted duty-free, quota-free status. As with the current GSP program, there should be no competitive needs limitation for products from LDCs. Products from other developing countries should be automatically granted preferential treatment. These products would only be removed from eligibility should they be found to be "import-sensitive" after an impartial investigation by the International Trade Commission. The ITC analysis should also take into consideration benefits to U.S. consumers of imports of each petitioned product.

In addition, underdeveloped Customs processing in many LDCs, combined with duplicative and at times overly rigorous Customs rules in the United States, undermines the benefits of existing U.S. tariff preference programs. Efforts should be undertaken by the United States to help improve Customs operations in these countries, both through the trade facilitation negotiations, but also through targeted capacity-building efforts. Promoting more transparent and efficient processes will enhance in a very concrete way the benefits that LDCs can gain from these trade benefits.

Create one simple rule of origin for textile and apparel products
Cumbersome and confusing rules of origin also undermine the benefits of U.S tariff preference programs. As such, we recommend the creation of one, simple, preferential rule of origin that is easy to understand and implement. The new preferential rule of origin should be based on the current GSP rules, which allow for substantial transformation and 35% value added, including any value from the United States. Naturally LDC's from AGOA countries should also retain the special apparel benefits outlined in P.L. 105-392, which allows for use of third country fabric in production. We would also recommend that USTR consider allowing cumulation across all beneficiary countries, in order to allow for economies of scale in developing countries. Finally, any U.S. tariff preference program should also work to promote, and not undermine, current

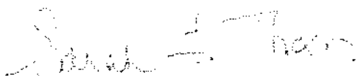
U.S. Free Trade Agreements (FTAs) by allowing eligibility for DFQF treatment for LDC products made from inputs produced in FTA partner countries.
Instituting these changes would make the U.S. tariff preference programs much more compatible with global supply chains and dramatically enhance the operation of the program.

Institute a ten-year minimum
We believe that the new U.S. tariff preference program should be authorized for at least ten-years, with an automatic ten-year renewal built into the program. A longer-term program will offer increased certainty to importers, allowing for the necessary investment and infrastructure development to achieve long-term, sustainable global economic growth in many poor countries.

Conclusion
Thank you for the opportunity to comment on the implementation of the WTO commitment for duty-free, quota-free market access for developing countries. We believe that the proper implementation of this commitment will lead to a win-win situation for U.S. consumers and developing countries alike. We look forward to working with you as you develop this program.

Should you wish to discuss our proposals further, please do not hesitate to contact Sarah Thorn, Director, International Trade at 202-737-6049.

Sincerely,



Sarah F. Thorn
Director, International Trade

UNITED STATES ASSOCIATION OF IMPORTERS OF TEXTILES AND APPAREL

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March 15, 2007

Ms. Gloria Blue, Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, D.C. 20508

Re: 2000 WTO Ministerial Decision on Duty-Free-Quota-Free Market Access for the Least Developed Countries, 72 Fed. Reg. 2316 (January 18, 2007)

Dear Ms. Blue:

On behalf of its member companies, the U.S. Association of Importers of Textiles and Apparel, USA-ITA, hereby responds to the request by the Trade Policy Staff Committee for public comment on the December 2005 WTO Ministerial Decision on Duty-Free-Quota-Free (DFQF) Market Access for the Least Developed Countries (LDCs). The Association greatly appreciates the opportunity to provide its views.

USA-ITA strongly supports the DFQF decision and urges the Administration to implement the commitment promptly. The U.S. review of the Generalized System of Preferences program offers the perfect opportunity for the U.S. to implement duty-free and quota-free treatment for ALL imports from the LDCs, without waiting for conclusion of the Doha Development Agenda negotiations. Action by the U.S. to unilaterally open its market to the products available in LDCs is the right thing to do for people who live in poverty and need a chance to better their lives. But it also would provide reassurance to the world trading community that the United States is committed to a successful World Trade Organization negotiation in this Development Round.

As always in the textile and apparel sector, the success of any trade initiative is determined by the details of the benefits. In this case, the duty-free and quota-free benefits must be crafted in a manner that ensures maximum utilization, through broad coverage and rules that reflect business realities.

USA-ITA has more than two hundred member companies, including manufacturers, distributors, retailers, importers and related service providers, such as shipping lines and customs brokers. The member companies source textile and apparel products from around the world, including many LDCs. In most cases, those products are not eligible for duty-free benefits. Where they are, they are often under programs that are subject to repeated expirations, offering only short term leases on benefits and making essential long-term business commitments impossible. The DFQF commitment provides an important opportunity to reverse this situation and include within a key preferential trading program benefits for textile and apparel products.

The duties paid on U.S. imports of textile and apparel products are among the highest in the U.S. tariff schedule, representing a burden on both the producers and on America's consumers. As has been documented numerous times, the products exported to the United States by the poorest countries are subject to the highest duty rates. Thus, silk underwear from Italy enters at a 2 percent duty rate while tariffs on the same product made with a man-made fiber fabric from Bangladesh carry a 16 percent duty. Attached as an appendix to these comments is a chart created by the Progressive Policy Institute that highlights the regressive nature of the current U.S. tariff program. PPI Fact Sheet, "Who Gets Hit?," June 2003; See also "US Tariff System Hits Poorest Hardest," Edward Gresser, The Strait Times, April 6, 2002; and PPI Policy Report: America's Hidden Tax on the Poor, The Case for Reforming U.S. Tariff Policy, March 22, 2002.

The DFQF commitment offers an important opportunity for all the LDCs to become competitive across a broad range of products. For that to happen, however, it is essential that the minimum liberalization commitment, to include 97 percent of the tariff lines, should not be treated as a maximum liberalization goal. For too long, the products excluded from U.S. preference programs have precluded the LDCs achieving the very goals of the preference programs. Products excluded include many products no longer produced in commercial quantities in the United States – from watches to footwear to leather goods to apparel. Excluding three percent of the tariff lines risks excluding the very products of greatest significance and value for the LDCs and reducing the viability of the commitment.

Of particular importance to USA-ITA and to the LDCs, the United States should commit to include all textile/apparel products within the DFQF program, because those are the products that represent the first step in the ladder of development.

The DFQF commitment, in fact, provides a unique opportunity for the United States to finally rationalize its myriad unilateral preference programs, establishing uniform origin rules and consolidated oversight. With fewer variations in rules, and more business-friendly rules, both the LDCs and U.S. business could truly benefit.

The most well known of the U.S. unilateral trade preference programs, the Generalized System of Preferences, has the most user-friendly rules, but excludes the products for which benefits would be most meaningful. The African Growth and Opportunity Act (AGOA), includes apparel, but subject to origin rules that, even where relatively liberal because they allow the use of so-called "third country fabrics," have the added burden of quantitative limitations.

The upcoming renewal of the GSP program, which is currently authorized only through December 31, 2008, provides a perfect opportunity for the Administration to implement the DFQF commitment. Through re-authorization and reform of the GSP program, the United States could create a single, permanent program, that encompasses the DFQF obligation and harmonizes the diverse family of programs that now divide LDCs (by placing them in competition with one another) and discourage U.S. businesses, including apparel importers and retailers, from pursuing investment and sourcing options in these countries. A single uniform set of criteria for eligibility could be set as well.

A key issue, however, is product coverage. Apparel products, for example, have been excluded from the GSP program. As a consequence, Bangladesh, for example, with a per capita Gross Domestic product of only $440, receives preferential access to the U.S. market for only 0.8 percent of its exports to the United States, because the bulk of its export trade is statutorily excluded from the GSP program. Similarly, for Nepal, with an even lower per capita GDP -- $250 – only three percent of its exports benefit from the GSP program. Yet, the vast majority of their trade is in tariff lines that equate to less than three percent of the tariff lines in the U.S. Schedule. See "Nickel and Diming the Poor: U.S. Implementation of the LDC Initiative," Carnegie Endowment, Policy Outlook No. 26, July 2006, Table 2 (showing no gains, and even losses for LDCs under a 97 percent coverage scenario, and modest gains under 100 percent coverage). Therefore, if the Administration excludes three percent of the tariff lines from the DFQF commitment (whether static among all beneficiaries or varying by country), the net effect of the DFQF commitment will very likely be nil. But if the Administration provides full coverage, or ensures that the products for which the LDCs are truly most competitive, such as apparel, are covered, the DFQF commitment will provide meaningful benefits for all concerned.

Following the expiration of the Agreement on Textiles and Clothing on January 1, 2005, the textile and apparel sector has undergone many changes. Despite fears that LDCs would not be able to compete for access to the U.S. market, the actual import statistics for 2005 and 2006 prove that opening up the trading system for the LDCs has been positive for the global economy. The best way for the United States to help the LDCs to maintain their competitiveness, and build on the opportunities created by the elimination of the discriminatory quota system, is to now remove the tariffs that unfairly target these countries.

We strongly urge the Administration to act expeditiously to implement the DFQF commitment, using the upcoming re-authorization of the GSP program as the vehicle, and to construct a comprehensive program that eliminates the redundant and diverse origin rules that have acted as an unnecessary and inappropriate impediment to the trade of the LDCs.

Respectfully submitted,

Laura E. Jones
Executive Director

PPI Fact Sheet, "Who Gets Hit?," June 2003

U.S. Tariffs: On Top 100 Goods [1] Imported From World & Selected Trading Partners, 2002					
	Top 100 Products as % of Total Imports	**Duty-free Products**	**Tariffs 0.1%-4.9%**	**Tariffs 5%-15%**	**Tariffs> 15%**
Cambodia [2]	98%	4	2	41	53
Bangladesh [3]	96%	6	6	43	45
Mongolia [4]	99.8%	8	8	40	44
Micronesia [5]	100%	11	2	19	33
Sri Lanka [6]	88%	20	3	32	45
Maldives [7]	100%	13	3	22	44
Pakistan [8]	86%	10	5	62	23
Nepal [9]	98%	23	13	38	26
Oman [10]	99.5%	32	6	23	39
Guatemala [11]	93%	48	6	9	38
Tunisia [12]	96%	30	10	26	34
Vietnam	89%	33	7	21	39
Bulgaria [13]	85%	33	21	20	26
Egypt [14]	96%	29	24	24	23
Armenia [15]	99%	56	8	13	23
Turkey [16]	78%	30	20	31	19
India [17]	71%	43	13	32	12
Indonesia [18]	69%	50	9	21	19
Philippines [19]	83%	55	7	15	23
Morocco [20]	96%	38	24	21	17
ASEAN	73%	60	12	13	15
Peru [21]	94%	68	4	15	13
Thailand [22]	70%	64	6	17	13
Mali [23]	100%	45	12	24	8
Lebanon [24]	95%	45	26	21	8
Ethiopia [25]	100%	54	20	11	6
Antigua [26]	100%	31	9	10	3
China	52%	56	19	21	4
Brazil [27]	77%	59	21	18	2
Russia [28]	92%	66	15	12	7
Korea	76%	50	31	12	7
Saudi Arabia	99.9%	57	25	14	4
World	**51%**	**60**	**26**	**8**	**6**
New Zealand	97%	50	32	16	2
Uganda [29]	100%	36	3	3	1
Haiti [30]	98%	81	3	3	13

Jamaica [31]	98%	84	1	6	9
Singapore	93%	69	18	6	7
Malaysia	88%	73	15	5	7
Costa Rica [32]	92%	88	2	6	4
Papua New Guinea [33]	100%	39	3	6	2
Ireland	96%	68	13	19	0
EU	56%	62	24	14	0
Czech Republic [34]	69%	71	19	9	1
U.K.	68%	64	26	9	1
France	69%	61	28	11	0
Australia	81%	53	41	3	3
Lesotho [35]	100%	53	1	3	2
Kenya [36]	98%	87	2	9	2
South Africa [37]	86%	83	14	0	3
Germany	62%	62	31	7	0
Nigeria [38]	99.9%	78	15	7	0
Japan	70%	58	38	4	0
Chile [39]	93%	76	21	3	0
Norway	92%	79	16	5	0
Ghana [40]	99%	92	4	4	0

Endnotes

[1]-HTS classification, eight-digit level, full-year 2002.
[2]-Cambodia receives GSP privileges on two goods (jewelry & plastic packing) with tariffs of 5.5% and 3%.
[3]-Bangladesh has GSP privileges on four of its ten low-tariff goods (tents, golf equipment, jute and plastic packing).
[4]-Mongolia has GSP privilege on one high-tariff good and one low-tariff good.
[5]-Micronesia has no GSP benefits.
[6]-Sri Lanka has six GSP products, including one high-tariff ceramic.
[7]-Maldives have no GSP benefits.
[8]-Pakistan receives GSP privileges on five low-tariff goods.
[9]-Nepal has GSP privileges on four goods with tariffs with 5%-6.4%, and seven low-tariff goods.
[10]-Oman has GSP privileges on 11 goods, six (five types of jewelry plus aluminum doors) above 5%.
[11]-Guatemala has full CBI/GSP benefits on 30 goods (9 high-tariff and 10 peaks) and partial benefits on 16.
[12]-Tunisia has 12 GSP products, including five at 5%-15%.
[13]-Bulgaria has GSP benefits on eight goods, including one (caviar) with a 15% tariff and two others at 6% and 8%.
[14]-Egypt has GSP benefits on four low-tariff goods and one (glass smoking pipes etc.) at 9%.
[15]-Armenia has GSP on 30 products, including 14 high-tariff goods (mainly jewelry and food products).
[16]-Turkey has GSP benefits on 14 goods, including 13 low-tariff and one 5.5% (jewelry).

[17]-India has 13 GSP products, with rates between 2.7% and 6.5%.
[18]-Indonesia has 12 GSP products, rates up to 5.5%.
[19]-Philippines have GSP privileges on 10 goods, including one 5% product.
[20]-Morocco has two major GSP products, both relatively high-tariff varieties of olive oil.
[21]-Peru has GSP/ATPA benefits on 22 products, including one peak and seven high-tariff goods.
[22]-Thailand has 11 GSP products with rates 0%-5.5%.
[23]-Mali has GSP/AGOA privileges on 13 goods, including seven at 5-15%.
[24]-Lebanon has four GSP products, all vegetable oils. Two have 5% or higher rates.
[25]-Ethiopia receives AGOA/GSP privileges on 26 of 53 tariffed.
[26]-Antigua has duty-free privileges on eight products under CBI and GSP, including one high-tariff and two peaks.
[27]-Brazil has GSP privileges on 19 goods, with two on high-tariff products of 11% (plywood and pencils).
[28]-Russia has GSP privileges on 10 goods, including one (titanium) with a 15% tariff.
[29]-Uganda receives GSP/AGOA privileges on six goods, including roses at 6.8% and basketwork at 9%.
[30]-Haiti has GSP/CBI privileges on 62 goods, including 30 peaks and 12 high-tariff products.
[31]-Jamaica has GSP/CBI benefits on 51 goods, including 17 peaks and 18 high-tariff goods.
[32]-Costa Rica has GSP/CBI privilege on 55 goods, including 17 peaks and 15 high-tariff goods.
[33]-Papua New Guinea has GSP benefits on six goods, including lamps at 6% and plastic statues at 5.3%.
[34]-Czech Republic has GSP privileges on 23 goods, including four above 5%.
[35]-Lesotho receives AGOA/GSP privileges on 52 of its 58 tariffed goods, including all but two of the 40 peaks.
[36]-Kenya has AGOA/GSP privileges on 53 goods, including 36 peaks and five at 5%-15%.
[37]-South Africa receives full or partial AGOA/GSP privileges on 39 goods. Three high-tariff products remain.
[38]-Nigeria has AGOA privileges on five low-tariff oil products and GSP on eight low-tariff goods.
[39]-Chile has GSP privileges on 25 goods, including eight high-tariff products.
[40]-Ghana has AGOA/GSP privileges on 34 goods, including one peak and 16 at 5%-15%.

Sent: Thursday, March 15, 2007 10:30 AM
To: FN-USTR-FR0704
Subject: "Duty-Free and Quota Free"

100% Duty and Quota Free Entry in the US Market for Bangladeshi and the LDCs Products

Generally the least developed countries like Bangladesh's exportable products are not diversified than that of the developed countries. Textile & Clothing is a dominating sector in many LDCs and the sector constitute a lion's part of the LDCs export basket (*in 2003 RMG had a contribution of 26% or more in the export basket of sixteen LDCs*). For Bangladesh RMG alone constitute 75.06% (FY 2005-06), if we add up other components then it will go up.

The 3% barrier may be used for the inclusion of the major exportable items of the LDCs in the US market which will make the burden heavier for them with respect to the developed worlds. It is like a boy is forced to carry the same weight like that of a full-grown man.

The 3% barrier to the US market costs (in terms of duty paid) Bangladesh US$487.00 million by exporting only US$3.26 billion; whereas for France it is only US$367.00 million against export of US$36.80 billion and for England it is US$430.00 million against US$53.50 billion export to the US market for the year 2006. With this scenario it is clear that how the LDCs are being suffered because of their limited export basket where the duty is higher. **This picture must be changed and the least developed countries shall have 100% duty and quota free entry in the US market for a better and equitable world.**

So, in light of the above we urge the US to provide 100% duty free-quota free market access for Bangladeshi and other LDCs products.

Regards
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Sent: Thursday, March 15, 2007 4:41 AM
To: FN-USTR-FR0704
Subject: "Duty-free, Quota-Free"

There should be no discrimination of treatment among LDCs. All LDCs should be granted duty-free and quota-free market access for all products. US must grant duty-free and quota-free market access for all products which have export interest to Bangladesh, particularly garments, textile, apparels, footwear, leather and frozen foods.

Regards, Syed

SWEETENER USERS ASSOCIATION

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March 15, 2007

Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative

Submission by electronic e-mail to: **FR0704@USTR.EOP.GOV**

RE: Comments on the 2005 WTO Ministerial Decision on Duty-Free, Quota-Free Market Access for Least-Developed Countries, January 18, 2007, Federal Register (Volume 72, Number 11) pp. 2316-2317.

These comments are submitted by the Sweetener Users Association (SUA), whose members are the companies that use nutritive sweeteners in their bakery, beverage, cereal, confectionery, dairy product and food manufacturing operations, as well as trade associations representing those same industries. SUA supports the decision adopted at the Sixth Ministerial Conference of the World Trade Organization held in Hong Kong in December 2005 to allow duty-free and quota-free market access for least-developed countries (LDCs). SUA believes this initiative should be implemented for sugar produced in these countries.

The U.S. Already Provides Limited Duty-Free Sugar Access

As a net importer of sugar, the U.S. imports at least 15% of its 10 million tons of domestic consumption needs every year. Raw cane sugar, refined sugar, sugar syrups, and specialty sugars enter the United States under two tariff-rate quotas (TRQs), which are provided for in Chapter 17 of the Harmonized Tariff Schedule (HTS). Under these two TRQs, U.S. importers pay either a nominal or zero duty. Sugars that receive preferential tariff treatment under the North American Free Trade Agreement, the Caribbean Basin Economic Recovery Act, the Andean Trade Preference Act, or the U.S. Generalized System of Preferences enter at zero duty. The HTS permits the importation of sugars outside the TRQ, but at prohibitively higher duty rates.

Chapter 17 of the HTS (Additional U.S. note 5) establishes a minimum TRQ for raw cane sugar of 1,117,195 metric tons and a minimum TRQ for other sugars, syrups, and molasses of 22,000 metric tons. The U.S. Trade Representative allocates the raw cane sugar TRQ among 40 supplying countries based on their share of exports to the United States between 1975 and 1981. Unfortunately, some of these countries are no longer sugar exporters and this system denies many LDC countries access to the U.S. market for the sole reason that they did not happen to be shipping sugar to the United States for an arbitrary six-year period over a quarter century ago.

The WTO Doha Round is a "Development Round"

The current WTO negotiations are referred to as the Doha "Development" Round because of the developmental objectives of these talks. The original Doha Declaration states: "we shall continue to make positive efforts designed to ensure that developing countries, and especially the least-developed among them, secure a share of world trade commensurate with the needs of their economic development." Consistent with this objective, the December 2005 Hong Kong Ministerial Declaration provides duty-free and quota-free access for LDCs to developed country markets.

LDC's have been referred to as the "poorest of the poor," since the criteria established by the United Nation's for identifying LDC's include a low-income factor of gross per capita income under $750. Unfortunately, there are some, in a self-serving manner, who seek to narrow or limit and ultimately undermine the developmental objectives of the Doha Development Agenda.

It is well understood that economic growth originating in agriculture can have a particularly strong impact in reducing poverty and hunger. Increasing employment and incomes in agriculture stimulates demand for non-agricultural goods and services, providing a boost to non-farm rural incomes as well. In fact, the United Nations Food and Agriculture Organization reports that a recent study in five sub-Saharan African countries showed that adding $1 to farm incomes potentially increases total income, beyond this initial $1 – by $.96 to $1.88.

Hong Kong Ministerial Declaration Offers LDC's "Duty-Free, Quota-Free" Access

The Hong Kong Ministerial Declaration refers to countries that meet the criteria for being considered an LDC. This Declaration provides that these LDC countries are to obtain duty-free and quota-free access for 97% of tariff lines from all countries. The idea of a duty-free, quota-free initiative was first made in the Doha Declaration in 2001. The July 2004 Agriculture Framework also contained text that developed countries "should" provide duty-free, quota-free treatment.

Annex F of the WTO Hong Kong Ministerial Declaration explicitly provides in Clause 36:

> "We agree that developed-country Members **shall...[provide] duty-free and quota free market access on a lasting basis, for all products originating from all LDCs** by 2008 or no later than the start of the implementation period in a manner that ensures stability, security and predictability." (Emphasis added.)

Subparagraph 36(a)(ii) states "**Members facing difficulties at this time** to provide market access as set forth above **shall provide duty-free and quota-free market access for at least 97 percent of products originating from LDCs**, defined at the tariff line level..." (Emphasis added).

This provision allowing 3% of tariff lines to be exempt only applies to WTO "Members declaring themselves" not in a position to provide duty-free and quota-free access (Annex F,

Clause 36). We don't believe that the United States is "facing difficulties at this time" in the sugar sector to justify the exclusion of LDC sugar from duty-free and quota-free status.

The U.S. Market Needs a Larger Sugar Supply

In fact, just last year, the U.S. experienced a near unprecedented shortage of sugar resulting from hurricane damage along the Gulf coast and weather conditions in the Upper Midwest. U.S. sugar supplies remain tight, so it is difficult to fathom how the United States could fairly claim that it needs to protect its domestic sugar growers and seek to deny LDC sugar-producing countries access to the U.S. market. The United States should be doing everything it can to ensure that there are adequate domestic supplies of sugar and that includes access for sugar from LDC countries.

A key issue in the Doha WTO Round is whether the United States will capitulate to U.S. sugar growers and accede to their demands that sugar be excluded from duty-free, quota-free treatment and thereby block market access for some of the poorest countries in the world. Or will the U.S. government allow LDCs, which include a number of African sugar producing countries, an opportunity to provide additional sugar to an under-supplied short market.

African LDCs with Sugar Production

Below is a list of WTO-member African countries that produce sugar and qualify as LDCs under United Nation's criteria. The UN uses a combination of three criteria to identify LDCs: 1) a low-income criterion based on a three-year average estimate of the gross national income (GNI) per capita (under $750 annually for inclusion, above $900 for graduation); 2) a human resource criterion, involving indicators of nutrition, health education and adult literacy; and 3) an economic vulnerability criterion including the instability of agriculture production, good and services, and manufacturing. GNI per capita is the gross national income converted to U.S. dollars as shown below from World Bank data and statistics.

Country	Production (mt) (2005)	Exports (mt) (2005)	U.S. TRQ (mt) (FY 2006)	EU TRQ (mt) (FY05/06)	GNI (per capita) (2005)
Angola	30,000	85,000	none	none	$1,350
Benin	7,000	no exports	none	4,238	$510
Burkina Faso	32,846	27,497	none	5,090	$400
Burundi	21,000	8,000	none	none	$100
Chad	35,100	no exports	none	none	$400
Congo (DRC)	74,000	no exports	none	8,155	$120
Guinea	25,000	21,999	none	3,974	$370
Kenya	532,000	4,999	none	none	$530
Madagascar	42,000	19,495	7,258	15,502	$290
Malawi	263,983	117,878	12,817	28,900	$160
Mali	33,600	1,006	none	4,985	$380
Mozambique	264,998	183,527	16,662	7,731	$310

Rwanda	7,000	no exports	none	none	$230
Senegal	90,155	18,000	none	4,816	$710
Sierra Leone	6,000	no exports	none	5,960	$220
Tanzania	278,496	10,720	none	17,775	$340
Uganda	194,000	25,001	none	4,979	$280
Zambia	252,000	139,562	none	7,475	$490
Zimbabwe	429,655	149,458	15,380	30,225	$340

These LDC's, which include some of the poorest countries of the world, are currently allowed to export only about 50,000 metric tons of sugar annually to the United States. Since the United States is a deficit producer of sugar, both the U.S. economy and these countries would benefit from duty-free, quota-free access for LDCs.

Large African sugar-exporting countries like Mauritius, South Africa and Swaziland would be excluded from duty-free and quota-free access, since their per capita GNI is well above the $750 annual income test for LDC status. Mauritius had a per capita GNI of $5,260 and South Africa had an annual GNI of $4,960 in 2005. In 2005, South Africa exported 1.1 million metric tons of sugar, while Swaziland exported 687,697 metric tons and Mauritius exported 566,109 metric tons. In fact, as a single country, Mauritius already benefits from a unique deal with the EU, since it was provided access to supply 55% of the one million metric tons of sugar allowed into the EU (in 2005) among the 22 African countries provided access to the European market.

Other sugar-producing LDCs that are not WTO members include Ethiopia, Sudan and Tanzania. If any of these non-WTO-member LDCs are subject to existing sanctions for human rights or other political reasons, they should not be considered for duty-free and quota-free treatment. Otherwise, deserving non-WTO-member LDCs should be eligible for duty-free, quota-free treatment.

Outside of Africa, there are a few other WTO-member LDC's that produce sugar and they include Bangladesh, Myanmar, and Nepal. Bangladesh is a net importer of sugar, while Myanmar exported 83,000 metric tons and Nepal exported 10,000 metric tons in 2005.

"Everything But Arms" Imports

In 2001, the EU signed an "Everything But Arms" agreement that suspends almost all tariffs for products imported into the EU from 48 LDCs. The EU defines LDCs as small, low-income countries that are dependent on a limited number of export commodities. This duty–free access applied to everything except armaments, sugar, rice and bananas, except these three latter products are to be duty-free by 2009. The EBA countries are to have open access to the EU sugar market with zero tariffs on imports beginning July 1, 2009. Leading up to this date, the suspension of tariffs is limited to a TRQ on raw cane sugar.

EU Sugar Regime Reform

As the result of a WTO panel ruling in April 2005, which found the EU sugar regime in violation of WTO export commitments, the EU has taken further steps to drastically reform its sugar

program. On February 20, 2006, the EU adopted new regulations for the new EU sugar regime, which were implemented on July 1, 2006. These reforms reduce the EU sugar price support level by 36% and move the program to one of "decoupled" payments.

Rationale for Providing "Duty-free, Quota-free" Sugar Access to LDCs

It has been reported that the overall share of world trade by LDC's has dropped by one-half since 1970. The four countries of Benin, Burkina Faso, Chad and Mali have made the U.S. cotton program a focus of the Doha Round by refusing to sign any Doha Round trade agreement unless developed countries, such as the United States reduce their payments to cotton farmers. However, LDC access to developed country markets should not be limited to cotton and textiles.

Other commodities grown in LDCs, such as sugar, must have fair access to developed country markets such as the United States and European Union, to help encourage their economies. As mentioned above, the EU has decided to eliminate its duties on sugar for the world's poorest countries — starting in 2009. LDCs could rationally argue that U.S. sugar policy and programs that rely on excessive import tariffs and other protections undermine LDC efforts to pull their people out of grinding poverty.

Clearly, developed-world protection of sugar and other commodities harms producers in the developing world as well as consumers in the developed world. Developing countries would benefit from greater market access, even though some believe the main causes of poverty in LDCs are generally internal (i.e., political instability and a lack of policies and institutions that are necessary for market economies to flourish).

Developed-world protectionism, including U.S. sugar policy, restricts the growth of exports from LDCs that have a large majority of people living in rural areas and who derive their income from agriculture. Excessive tariffs applied by the United States and other developed countries discriminate against sugar and other commodities produced in LDCs. These prohibitive tariffs are problematic because agriculture accounts for much of the trading activity of LDCs and agriculture is a mainstay of their economies.

Among the most heavily subsidized farmers in the high income countries of the Organization for Economic Cooperation and Development (OECD) are sugar producers, with an annual support of about $6 billion. This level of support is almost as high as the total value of all of the developing world's sugar exports. Some estimates show free trade in sugar would generate around $4.7 billion in welfare gains or real income increases in developing countries.

Sugar cane is an almost ideal commodity for some developing countries to grow for domestic consumption and export. It can be produced efficiently in tropical climates under a wide range of technologies from low input labor-intensive to high-input fully mechanized. There are few problems in meeting sanitary and health standards because sugar cane juice is boiled during initial processing and raw cane sugar is boiled again when refined to produce white sugar. The biggest problems for sugar producers are the limited export opportunities and low world prices, which are largely caused by the protectionist policies in the U.S., EU and other OECD countries.

In many developing countries, the sugar industry anchors rural development, provides employment and social services to surrounding communities, and supports ancillary businesses. Without the ability to export sugar to important markets, such as the United States, a number of LDCs will continue to experience further impoverishment of their sugar-dependent economies.

African Growth and Opportunity Act

The African Growth and Opportunity Act (AGOA) – a preferential agreement between the United States and 37 countries in sub-Saharan Africa, excludes dairy products, soft drinks, cocoa, coffee, tea, tobacco, nuts, and many types of fabrics. Sugar is not specifically mentioned, but has been treated as a sensitive product despite efforts by AGOA countries to get access to the U.S. sugar market under this agreement. An International Monetary Fund report found that AGOA stands to yield only 19 to 26% of the benefits it could have yielded, if it were comprehensive and unconditional.

Special and Differential Treatment

The WTO agreement already contains special rules for many developing countries, called "special and differential treatment." Besides providing developing countries with trade preferences and technical assistance, special and differential treatment allows developing countries to defer implementation of WTO commitments on trade liberalization. Unfortunately, trade preferences and exemptions from multilateral rules have not always served developing countries well.

World Bank Analysis

In a November 9, 2005 press release, Will Martin, a leading economist at the World Bank commented:

> "Deep reductions in agricultural tariffs would deliver 12 times the gains that would be achieved by abolishing export subsidies and trade-distorting domestic support to agriculture. Making agricultural markets more accessible is the most fundamental reform that needs to emerge from the Doha round of the WTO negotiations.
>
> Countries should resist the political temptation to exempt 'sensitive and special' products from tariff cuts. If a few of these are unavoidable, tariff caps should be imposed on them. Otherwise, exemptions will simply derail the market access effort – however large the cut in tariffs – and most of the potential welfare gains from global agricultural reform will simply not materialize."

This assessment makes the case for duty-free, quota free access for all products, including sugar, in any LDC initiative. The U.S. should resist the temptation to exempt sugar as sensitive for two key reasons – a sugar exemption "will simply derail the U.S. market access effort" and "most of the potential gains from global agricultural reform will simply not materialize."

Conclusion

Providing duty-free, quota free access for LDCs, including those that produce sugar, would help the U.S. economy. U.S. authorization of unconstrained sugar imports from the poorest countries of the world would provide clear evidence that the United States is serious about its commitment to Doha as a true "development" round. More importantly, additional market access for these countries would provide new opportunities for some of the poorest people in the world to eke out a living.

The EU has moved forward to open up the European sugar market to LDCs and there are no real reasons why the United States could not do the same. Providing access to the U.S. market to these countries should not pose a threat to the U.S. sugar growing sector, since the longer shipping distance to the United States means the European market will be the preferred destination of African-grown sugar because of lower freight rates.

Sent: Thursday, March 15, 2007 6:15 AM
To: FN-USTR-FR0704
Subject: "Duty-free, Quota-Free"

:
"There should be no discrimination of treatment among LDCs. All LDCs should be granted duty-free and quota-free market access for all products. US must grant duty-free and quota-free market access for all products which have export interest to Bangladesh, particularly garments, textile, apparels, footwear, leather and frozen foods".

Form :
Anisur Rahman Swapan
Founder Secretary
Barisal Reporters Unity
Barisal Coprrespondent
Daily Bhorer Kagoj
Daily New Age
Bangladesh.

Sent: Thursday, March 15, 2007 5:06 AM
To: FN-USTR-FR0704
Cc: sayem sayem
Subject: 100% Duty and Quota Free Entry in the US Market for Bangladeshi and the LDCs Products

100% Duty and Quota Free Entry in the US Market for Bangladeshi and the LDCs Products

Generally the least developed countries like Bangladesh's exportable products are not diversified than that of the developed countries. Textile & Clothing is a dominating sector in many LDCs and the sector constitute a lion's part of the LDCs export basket (*in 2003 RMG had a contribution of 26% or more in the export basket of sixteen LDCs*). For Bangladesh RMG alone constitute 75.06% (FY 2005-06), if we add up other components then it will go up.

The 3% barrier may be used for the inclusion of the major exportable items of the LDCs in the US market which will make the burden heavier for them with respect to the developed worlds. It is like a boy is forced to carry the same weight like that of a full-grown man.

The 3% barrier to the US market costs (in terms of duty paid) Bangladesh US$487.00 million by exporting only US$3.26 billion; whereas for France it is only US$367.00 million against export of US$36.80 billion and for England it is US$430.00 million against US$53.50 billion export to the US market for the year 2006. With this scenario it is clear that how the LDCs are being suffered because of their limited export basket where the duty is higher. **This picture must be changed and the least developed countries shall have 100% duty and quota free entry in the US market for a better and equitable world.**

So, in light of the above we urge the US to provide 100% duty free-quota free market access for Bangladeshi and other LDCs products.

Regards

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March 15, 2007

Ms. Gloria Blue
Executive Secretary, Trade Policy Staff Committee
Office of the United States Trade Representative
1724 F Street NW
Washington, DC 20508.

Re: Public Comments Regarding Duty-Free, Quota-Free Market Access for LDCs

Dear Ms. Blue:

The National Cotton Council of America hereby submits the comments regarding the implementation of duty-free, quota-free (DFQF) market access for the least-developed countries (LDCs) as included in the Hong Kong Ministerial Declaration. The National Cotton Council of America (the "Council") is the central organization of the U.S. cotton industry. Its members include seven segments of the cotton industry, from producers to manufacturers.

In general, the Council does not support an early implementation of this commitment by the United States. As stated in the Notice, the Ministers in Hong Kong agreed that WTO Members would implement the DFQF initiative coincident with the implementation of the results of the Doha negotiations. In fact, this approach – that the commitment would be contingent upon completion of a Doha Agreement – appeared to be a priority item for the U.S. negotiators at that time.

We agree with the U.S. negotiators that were in Hong Kong that this commitment should not be implemented prior to an overall agreement in the Doha Round. All countries need to have a significant stake in the conclusion of a Doha Round Agreement or it will not be completed. The least developed countries will ultimately be exempt from many commitments included in Round. The promise of duty-free, quota-free access, should a Doha Round Agreement be concluded, could encourage the least developed countries to have a positive impact on the negotiations as the benefits they would gain would be clear.

Assuming the United States does not choose to implement this commitment without securing a Doha Round Agreement, the Council offers the following comments regarding the eventual implementation of this commitment:

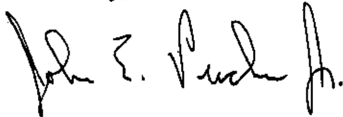
1. The United States should manage implementation of this provision so that trade conducted under existing free trade and preferential trading arrangements is not harmed.
2. The Council is concerned that the impact of the DFQF commitment is likely to fall harder on the U.S. textile industry and its workers than any other sector. In this regard, it is imperative that the U.S. maintain the provision in the Hong Kong Ministerial

Declaration providing flexibility to members with respect to 3% of products (defined at the tariff line level) that originate from LDCs. Further, in implementing this provision, the U.S. should exclude apparel items sensitive to the U.S. textile industry, the CAFTA/NAFTA regions and other countries benefiting from an FTA or preferential trade agreement with the United States.

3. There should be no definitive list, created or negotiated through the WTO of which items are included in a DFQF arrangement. Individual WTO members should be allowed to make their own determinations about product coverage or exclusion. Individual WTO members must also be able to make their own determinations about the rule of origin to be applicable to this commitment. Likewise, the commitment itself, and U.S. implementation of the commitment, should not be subject to the WTO dispute settlement process.

We thank you for the opportunity to comment on DFQF implementation. Please do not hesitate to contact us if you have any questions.

Sincerely,



John Pucheu
Chairman

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Phone: 703-841-2300 Fax: 703-841-1184

March 15, 2007

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
1724 F Street, NW
Washington, D.C. 20508

Via Electronic Mail: FR0704@ustr.eop.gov

RE: Duty-Free/Quota-Free Market Access for Least-Developed Countries

Dear Ms. Blue:

On behalf of the Retail Industry Leaders Association (RILA), I am pleased to submit public comments regarding the implementation of the WTO commitment to provide duty-free, quota-free (DFQF) market access for least-developed countries (LDCs) adopted at the Sixth Ministerial Conference of the World Trade Organization (WTO) in December 2005. RILA and our member companies strongly support granting comprehensive DFQF treatment to LDCs as part of a successful WTO Doha Development Agenda agreement. U.S. preference programs are positive economic tools that promote development in developing countries, create jobs in the United States and in the nations of our poorest trading partners, and benefit U.S. consumers by allowing retailers to provide better quality and variety of products at affordable prices.

By way of background, RILA promotes consumer choice and economic freedom through public policy and industry operational excellence. Our members include the largest and fastest growing companies in the retail industry --retailers, product manufacturers, and service suppliers--which together account for more than $1.5 trillion in annual sales. RILA members provide millions of jobs and operate more than 100,000 stores, manufacturing facilities and distribution centers domestically and abroad.

Benefits of Preference Programs

Many of RILA's retail and product manufacturer members currently use trade preference programs. Programs such as the Generalized System of Preferences (GSP), the African Growth and Opportunity Act (AGOA), the Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Preferences and Drug Eradication Act (ATPDEA) serve as important tools to foster trade between the United States and developing countries to the benefit of all parties. Removing barriers to trade allows RILA's membership to bring high-quality, affordable goods into the U.S. market and create jobs in both the United

States and in some of the poorest countries in the world. Additionally, these preference programs are important foreign policy tools that can spread goodwill and share the benefits of trade to enable millions of people to work to provide a better life for themselves.

At the same time, the current patchwork of preference programs is not as effective as it could be because oftentimes the programs are extended for only short periods of time, they exclude a large number of products that would most benefit developing countries and U.S. consumers (particularly those at the lowest income levels), and they can have conflicting rules of origins and onerous requirements.

Policy Recommendations

RILA submits the following recommendations to be considered in granting DFQF preferential treatment to LDCs:

1) DFQF access should be available for all product lines from all LDCs.

Current beneficiary countries of GSP and other preference programs are limited in the product lines for which they receive preferential treatment. For example, GSP only covers 4,600 of the nearly 10,000 U.S. tariff lines. Further, the industries that stand to gain the most from increased access to the U.S. market are oftentimes excluded because they are deemed to be import sensitive. And some products that continue to be deemed import sensitive are no longer made in the United States. Meanwhile, developing countries are often competitive in some of these labor-intensive industries, such as the production of consumer goods like t-shirts, socks, leather goods, shoes, handicrafts, and jewelry. Any new DFQF initiative should consolidate all preferential treatment into one comprehensive program for all LDCs.

A comprehensive DFQF program would not only benefit LDCs, but also lower-income U.S. families. Many of the excluded products for which the highest tariffs are levied are goods that are purchased by lower-income U.S. families, including lower-end footwear and clothing. For example, tariffs on low-end sneakers range between 48 and 67 percent, but tariffs on higher-end sneakers are only 20 percent, and for leather dress shoes, the tariff is 8.5 percent. Eliminating the tariffs on these products from LDCs would benefit both the LDCs and U.S. consumers who purchase the goods.

RILA urges the United States to provide comprehensive DFQF market access treatment for all product lines from all LDCs.

2) *Rules of origin for a DFQF program should be as flexible as possible.*

It is important to promote a sustainable model that fosters long-term economic development in LDCs. The rules of origin for these goods should seek to promote both concrete benefits and sustainable economic development by being as flexible as possible.

For example, the rule of origin should allow cumulation among all beneficiary countries. Moreover, any U.S. preference program should also work to promote, and not undermine, current U.S. Free Trade Agreements (FTAs) by allowing eligibility for DFQF treatment for LDC products made from inputs produced in FTA partner countries.

3) *Any new DFQF program should provide long-term benefits and also include clear and predictable graduation criteria.*

RILA respectfully requests that any DFQF program for LDCs be in place for a minimum of ten years. Such a long-term program would allow for meaningful capital investments to be made in LDCs to create the infrastructure necessary for industries and economies to grow. Historically, Congress has only provided short-term extensions of preference programs. While this allows lawmakers to revisit these programs more often to review the successes and failures in achieving development goals, it is not conducive to the overall goal of sustainable development in the world's poorest countries. For example, in December 2006, Congress retroactively extended provisions of AGOA through 2012, extended GSP for two years, and extended the ATPDEA for six-months, with another extension for countries that have negotiated a free trade agreement (FTA) with the U.S. The current on-again, off-again environment does not lend itself well to long-term business planning and investment that LDCs so desperately need. Businesses often view investments in LDCs as high-risk, and investors need assurances of continued preferential treatment to spend the money to invest in much-needed infrastructure and manufacturing facilities.

RILA urges that DFQF preference program be enacted for at least ten years to allow for long term business planning and market stability.

While it is important to enact a DFQF program for a long-term time period, the program should also include clear and predictable graduation criteria to ensure that the benefits of the program continue to be focused toward LDCs. USTR should consider creating a multi-year phase-out of benefits after an LDC achieves a higher economic level, so that the economic activity fostered by the preferential treatment can adapt to clear criteria and plan for foreseeable changes in benefits. Finally, the criteria used to determine whether a country should be graduated from benefits should provide a comprehensive picture of the country's economic development and not simply rely on one economic indicator such as per capita income.

4) *A DFQF program should have flexible and practical suspension of concession tools.*

Under current U.S. trade preference programs, a determination that a beneficiary country has failed to meet an eligibility requirement would result in the withdrawal of all benefits for that country. This blunt instrument can have the unfortunate consequence of penalizing highly productive and good-performing sectors of the economy for actions in a different, underperforming sector. Thus the penalty for noncompliance is disproportionately high and rarely used. In implementing a

DFQF program for LDCs, USTR should develop a more flexible enforcement mechanism that would allow for targeted enforcement actions where appropriate.

Conclusion

RILA and our member companies strongly support granting comprehensive DFQF treatment to LDCs as part of the implementation of a successful WTO Doha Development Agenda agreement. A comprehensive, long-term program can provide the economic incentive and certainty necessary to foster desperately-needed investment in LDCs. Such a program should be crafted to: provide generous, long-term benefits to LDCs, include flexible rules of origin to maximize usage, have clear and predictable graduation criteria to ensure that the benefits of the program remain targeted to LDCs, and include practical and flexible suspension of concession tools when beneficiary countries fail to meet eligibility criteria.

Sincerely,

Stephanie Lester
Vice President, International Trade