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Interactive thematic session

**INTERNATIONAL TRADE, COMMODITIES AND
SERVICES/TOURISM**

Summary prepared by the Conference secretariat

International trade

1. Trade policy plays a crucial role in development strategies, since trade is a powerful instrument for growth, development and poverty reduction. One key challenge is to ensure the equitable distribution of benefits from trade. The session discussed a number of fundamental questions on the consequences of economic liberalization and the capacity of LDCs to protect their interests in the multilateral trading system. LDCs have the perception that the implementation of the Uruguay Round is a work in progress. Improved market access opportunities should be turned into real trade growth by addressing supply-side constraints. Regional integration could be a stepping-stone for LDCs to integrate into the world economy, but progress in this direction has been slow. LDCs require assistance in improving their participation in the multilateral trading system and making it more effective. There is a need to bridge the negotiation gap between the strongly articulated trade positions of the major trading blocs and the scattered coalitions of developing countries.

New round

2. A rules-based multilateral trading system is a prerequisite for a predictable and stable trading environment. The European Union and WTO made an appeal for the forthcoming WTO Ministerial Meeting, in Doha in November 2001, to launch a new round of multilateral trade negotiations. In this regard, they stressed that a new round cannot take place without the LDCs and without their development concerns being adequately taken into consideration. Moreover, a new round could help address the problems of the status quo and redress present injustices. However, LDCs are just beginning to digest the issues and prepare for their meaningful participation in the multilateral trading system. They are concerned about having to tackle new issues that could have very serious implications for their development. Differences in economic structures between DMEs and LDCs must be taken into account in designing a trade agenda. To achieve consensus on a new round, development concerns, including increased access for agriculture and textiles and elimination of tariff peaks and tariff escalation to reduce poverty, must be addressed in a comprehensive and balanced manner.

Implementation

3. LDCs face high costs in implementing their commitments under WTO agreements. They are disappointed at the inadequate assistance they have received to implement their commitments and to integrate into international trade. Concern was also expressed regarding the lack of implementation by developed countries of special and differential treatment provisions and market access commitments, for example, in textiles.

4. Liberalization of trade, in the absence of regulatory institutions and mechanisms has led to industry in LDCs being severely hit by cheap imports. For liberalization to be beneficial, it must be regulated and controlled.

SPS and TBT standards

5. Non-tariff barriers, in particular SPS, TBT and rules-of-origin provisions are a severe challenge and often impede access by LDCs to markets. In order to exploit new trading opportunities offered to them, LDCs require substantial assistance to comply with SPS and TBT agreements. Technical assistance activities coordinated by WTO and the relevant international standards organizations to ensure LDC participation in international standard-setting and the upgrading of their ability to comply with these standards were presented as a deliverable.

Access to markets

6. The European Union initiative “Everything But Arms” (EBA), granting duty- and quota-free access to all products from LDCs only became possible because of this Conference. In addition, several other WTO members, from both developed and developing countries, have pledged market access commitments in favour of LDCs. The objective of the Conference should be to reach agreement that duty- and quota-free access for LDC exports is a shared goal.

7. Another deliverable of the Conference is the promotion by the European Union of a multilateral initiative to forego the use of anti-dumping measures in relation to LDCs.

Supply constraints and capacity building

8. Duty- and quota-free access should be complemented by other measures to address LDCs’ supply constraints and provide adequate infrastructure in support of LDC endeavours, including policies and actions to ensure that trade forms an integral part of strategies for poverty reduction and plans for economic development.

9. Technical assistance for capacity-building should be delivered within a coherent framework. In this connection, the Integrated Framework (IF), implemented through inter-agency cooperation between WTO, UNCTAD, ITC, World Bank, IMF and UNDP, has been redesigned to mainstream trade in national plans for poverty reduction. A total amount of

US\$ 6 million has already been pledged to the recently established IF Trust Fund for the implementation of the IF pilot scheme.

10. WTO has also taken a number of initiatives to help LDCs participate more fully in the WTO. They include measures for ensuring the participation in WTO activities of representatives of countries without a Permanent Mission in Geneva and for the expansion of training and policy courses.

Accession to WTO

11. Since the establishment of WTO, not a single LDC has been able to complete the negotiations for acceding to it. In this regard, a common understanding has been reached among the QUAD (Canada, the European Union, Japan and the United States) on the core elements of the fast-track accession process of LDCs to the WTO, to be followed up with all other members of the WTO. It was stressed that at least one or two LDCs on the verge of accession should be admitted prior to the Ministerial Meeting in Qatar. It was suggested that S&D and appropriate flexibility be granted to acceding LDCs. The WTO has pledged to give as much assistance as possible to LDCs in a number of areas, including in the process of joining WTO.

Commodities

12. The commodity sector is the backbone of the LDCs. With a few exceptions, LDCs continue to be highly dependent on commodity exports. For 32 LDCs, commodities account for more than 50 per cent of their merchandise exports, and for 22 among them, they account for 80 per cent or more. The development of the commodity sector is a prerequisite for poverty reduction in LDCs. Difficulties in commodity markets lead to a worsening of the debt burden. However, commodities are not a curse. Many countries have achieved high levels of growth and diversification by developing their commodity sector, and LDCs could follow suit.

13. During the past 30 years, LDCs have lost almost 80 per cent of their share in world non-fuel commodity exports. They have also become substantial net food importers. In 1998-1999, their food imports were much higher than their non-fuel commodity exports.

14. Prices of their major non-fuel commodity exports, such as coffee, are at the lowest levels ever in real terms. Oversupply and productivity growth, as well as intense competition among suppliers, coupled with higher concentration among buyers, are among the reasons for price declines. But there are still projects financed by the development banks to increase production, for example, of coffee in spite of a market glut.

15. There is no single way of dealing with the complex commodity problem. Although the proposal to go back to the old approach based on market intervention by Governments to defend price levels and stability did not receive support, purely market-based approaches did not offer automatic solutions. Integrated approaches combine tools dealing with prices, such as supply management; diversification within and outside of commodities; and further trade liberalization, including elimination of tariff escalation. Alternative trading channels, such as “fair trade”, should also be promoted.

16. Experts from LDCs identified seven key areas where action by LDCs and international support was needed: (i) enhancing productive capacities, including through expanded R&D and extension services; (ii) quality and safety standards, including building of national and regional capacity for testing and certification; (iii) post-harvest measures and appropriate storage to minimize post-harvest losses; (iv) horizontal and vertical diversification; (v) marketing and market development, including product differentiation, development of niche markets and market information; (vi) financing, including input credit, price risk management and structured commodity finance; and (vii) the establishment of strategic partnerships.

17. The Common Fund for Commodities (CFC) has already received a number of new project concepts in the above areas. Their financing required a strengthening of the resources of the Second Account of the CFC and cofinancing or parallel financing.

Services/tourism

18. Many LDCs are highly dependent on services, in particular tourism, for the bulk of their foreign exchange earnings, income and employment. However, they have many structural handicaps making it difficult for them to take full advantage of the potential offered by this sector.

19. The session highlighted the valuable economic opportunities which international tourism has already brought to several LDCs and recalled the catalytic impact that tourism activities can have on the development process. In at least 18 LDCs, tourism is already the first or second largest source of foreign exchange earnings, and sizeable tourism growth in another 10 LDCs indicates that more than half of all LDCs will soon be able to derive significant economic and social benefits from that sector. Some participants took the view that sustainable tourism development can be one of the most valuable avenues leading to a greater participation of LDCs in the global economy. International tourism, the fastest growing and most ramified sector in the international economy, was also described as a factor of lesser economic instability, and one of the few economic sectors that can enable many LDCs to reduce their marginalization from the global economy. The significant contribution of tourism to employment creation, small entrepreneurship, greater gender equity and poverty alleviation was highlighted.

20. However, because of their acute structural handicaps, in particular the lack of physical infrastructure and skilled human resources, LDCs require substantial financial and technical support from the international community to be able to induce sustained tourism growth. For this reason, several participants urged the LDCs' development partners to follow the example recently given by Spain in funding the High-level Meeting on Tourism of the LDCs (Canary Islands, 26-29 March 2001), which adopted the Canary Islands Declaration on Tourism in the LDCs.

21. Participants commented favourably on the international Plan of Action to support the development of tourism in LDCs, which was drawn up at the Canary Islands Meeting and recalled the four areas of action identified in this Plan: (a) strengthening the capacities of LDC Governments to promote sustainable and competitive tourism development; (b) developing entrepreneurial capacities and managerial skills to improve the competitiveness of tourism products and services; (c) promoting synergies between transport and tourism policies, with particular reference to air transport; and (d) increasing national capacities to use relevant elements of the multilateral trade framework.

22. Further cooperation between the World Tourism Organization and UNCTAD in the context of the implementation of the Canary Islands Plan of Action was called for by LDC

representatives. Development partners, in particular international institutions and aid agencies, were requested to give favourable consideration to national and regional projects that aim to strengthen the capacities of LDCs in the four areas identified in the Plan of Action. The World Tourism Organization will itself set a good example by designating poverty alleviation as a new priority area in its work programme for 2002-2003. A special programme will be implemented for sub-Saharan African destinations that account for only 1.5 per cent of the world's total tourism receipts. However, this new programme will not be sufficient and support from bilateral donors and multilateral agencies will therefore be crucial.
