



## United Nations Conference on Trade and Development

Distr.: General  
27 October 2011

Original: English

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### Thirteenth session

Doha, Qatar  
21–26 April 2012

## Group of Least Developed Countries Position Paper

### I. Background

1. The thirteenth United Nations Conference on Trade and Development (UNCTAD–XIII) holds a special significance for the Group of Least Developed Countries (LDCs), as this Conference comes immediately after the Fourth United Nations Conference on the Least Developed Countries (LDC–IV) in Istanbul. The conference also comes at a time when Doha Development Agenda is deadlocked, and fear of a “double-dip” recession looms high and the world is grappling with the issues related to food and energy crises, and climate change challenges. In the tradition of Doha, the Group expects that the Conference will pave the way for the international community to collectively work to forge a new consensus to pursue a development agenda in a fair and comprehensive manner towards addressing the needs, aspirations, priorities, and concerns of the LDCs. The LDCs Group considers UNCTAD–XIII in Doha as an opportunity to reflect on its future role and work out how best it can contribute to the development discourse. UNCTAD–XIII is also an important opportunity to build consensus on the course of development in the aftermath of global economic crisis. The Accra Accord provides a good base for UNCTAD–XIII to decide on how to promote development-centred globalization.

2. The comprehensive appraisal of the implementation of the Brussels Programme of Action (BPoA) established that the specific goals and objectives of the BPoA have not been fully achieved; the progress had limited impact on employment creation and poverty reduction. The assessment also says that, in many LDCs, structural transformation was very limited and their vulnerability to external shocks has not been reduced. The reviews of BPoA at the national, regional and international levels have shown the need for greater ownership and leadership of the LDCs and better integration of the PoA into aid, trade and development strategies of development partners for the successful implementation and coherence of policies. There are calls for complementing the export-led growth strategies by focusing on the strengthened role of domestic productive capacity, diversification, enhanced investments, infrastructural development, building technological capacity, building and strengthening the capacity of the LDCs’ private sector that can stimulate

enhanced and sustained, inclusive and equitable economic growth and structural transformation. This has shown that business as usual is not an option, necessitating a paradigm shift to bring structural transformation and economic diversification in the LDCs.

3. For the LDCs, this is a time of multiple transitions. There has been a transition from the BPoA to Istanbul Programme of Action (IPoA). Numbers of LDCs are making the transition from conflict to peaceful democratic process. The development model that was made to pursue so far has come under question. The primacy of market forces is in trouble. Rampant deregulation is being cited as a costly mistake of any government. There are calls for enhancing the role of State to correct market imperfections as the consequences of the global economic crisis on development have been far and wide. Pressure of population on natural resources is intense.

4. Climate change has emerged as real, being manifested in heat waves, intense droughts, severe floods and destructive storms. Recent research reports suggest that conflict is 50 per cent more likely to break out in countries which suffer from drought and food shortages and this is yet another reason to fear the devastating impact of climate change. These reports also point out that 16 LDCs are in the critical zone in governance index while most other LDCs are in the danger zone, suggesting that the LDCs are in critical need of support in consolidating public institutions, public services and delivering development dividends to their people and avoiding State failure.

5. The LDCs are embroiled in rolling global economic crises through no fault of their own. The aftermath of the crises has seen the developed countries pursuing policies they were preaching and prescribing to the developing world not to do, including counter-cyclical policies and greater direct State intervention in the economy.

6. The continuation of the 20 per cent of the world population controlling 85 per cent of its wealth with only 15 per cent of wealth being spread among 80 per cent of the population is a challenge to the international community. Development for the few and underdevelopment for the many cannot continue in this interdependent world. Equity should, therefore, remain a guiding principle.

7. Searching for solutions to these numerous challenges requires an unprecedented level of global cooperation backed by political commitments and determination, and the LDCs Group expects UNCTAD–XIII to contribute meaningfully to this process.

8. The year 2014 happens to be the 50th anniversary of UNCTAD which, the LDCs Group feels, gives UNCTAD an important opportunity to help focus on the development discourse and the broader work of the United Nations on development, and reflect on what more needs to be done, how UNCTAD can contribute in this regard and also the direction it wants to take. It should also be an opportunity to learn lessons from the past, and move beyond to a more effective approach to development. By the time UNCTAD meets for its fourteenth Conference, we will have reached the end of the Millennium Development Goals (MDGs). The IPoA will have its comprehensive midterm review, implementation, follow-up and monitoring in 2015. These contexts make UNCTAD–XIII all the more important.

9. The LDCs Group feels that, in the World Trade Organization (WTO) deliberations, the LDC package – covering full implementation of duty-free and quota-free (DFQF) market access, associated rules of origin, a most favoured nation (MFN) service waiver for LDCs, and “a step forward” on cotton – should be agreed for an early harvest by the Eighth Ministerial Conference in December. This package will send an important message from the international community that has committed to support the LDCs enabling half the number of LDCs to meet the criteria for graduation by 2020. The effective delivery of an early harvest in December 2011 is considered to be the first and critical step of the global community for paving way towards the implementation of the IPoA.

10. The IPoA (paragraph 156) calls upon UNCTAD “to continue to address the challenges faced by least developed countries through conducting intergovernmental consensus-building, especially in the Trade and Development Board, and to contribute to the implementation of the Programme of Action also through its technical assistance to least developed countries. UNCTAD’s institutional capacity in the research and analysis of least developed country issues should be maintained to this end.”

11. The LDCs Group welcomes the agreed conclusions recently adopted by the fifty-eighth session of UNCTAD’s Trade and Development Board (TD/B/58/SC.I/L.2) that “urges UNCTAD to continue to address the trade and development challenges facing the LDCs including by mainstreaming the relevant provisions of the Istanbul Programme of Action into the work of the secretariat and in its intergovernmental machinery with a strengthened interdivisional coordination and follow-up mechanism, in accordance with the mandate of UNCTAD, within UNCTAD’s existing resources.”

12. The LDCs Group recognizes that UNCTAD’s LDC Trust Fund is an important vehicle for enabling technical cooperation and capacity-building activities in LDCs, and for the successful implementation of the Istanbul Programme of Action. While appreciating the contributions to the LDC Trust Fund, it calls on development partners to contribute more to the LDC Trust Fund and ensure the implementation of IPoA.

13. The LDCs issues are cross cutting in nature. This position paper aligns with the contents of position paper of the Group of 77 (G-77) and China, and makes some additional points that need to be particularly focused from the LDCs perspectives. This paper outlines the expectations of the group from the UNCTAD–XIII.

## II. Principles

14. The LDCs Group stresses the importance of inclusive and sustainable development. It would like to reinforce the guiding principles of the IPoA for the *renewed and strengthened partnership for development* to be recognized in the deliberations of the theme and sub-themes decided for the UNCTAD XIII Conference. The principles as outlined in the IPoA include:

- (a) Country ownership and leadership;
- (b) An integrated approach of the development process in LDCs;
- (c) Genuine partnership and solidarity with enhanced global support and appropriate mechanisms;
- (d) Result orientation with mutual accountability and effectiveness of development cooperation;
- (e) Peace and security, development and human rights, as the foundation for collective security and well-being;
- (f) Equity at all levels;
- (g) Voice and representation of LDCs in the international economic system; and
- (h) Balanced role of the State and market considerations.

15. The IPoA document identifies *eight priority areas for action*:

- (a) Building of productive capacity (infrastructures services, science, technology and innovation, energy and development of private sector);
- (b) Agriculture, food security and rural development;

- (c) Trade;
- (d) Commodities
- (e) Human and social development (education and training, population and primary health, youth development, shelter, water and sanitation, gender equality and empowerment of women, and social protection);
- (f) Multiple crises and other emerging challenges including economic shocks, climate change and environmental sustainability, disaster risk reduction;
- (g) Mobilizing financial resources for development and capacity-building domestic resources mobilization, official development assistance, external debt, foreign direct investment and remittances; and
- (h) Good governance at all levels.

16. The areas of priorities identified in the IPoA provide a clear focus on various aspects of development challenges confronted by LDCs. Capturing these action areas will help address the developmental needs of LDCs. The Group feels that it should be a part of the theme and sub-themes decided for UNCTAD–XIII and included for the preparatory process and the conference.

17. In view of the main theme – “Development-centred globalization: Towards inclusive and sustainable growth and development” – the Group views that a fair, better and inclusive globalization makes it development centred.

18. Globalization has been transformational – having both bright and dark sides. The increased flow of goods, services, capital, ideas and people across international borders has been one of the driving forces of international affairs for the past 30 years. The world economy has changed significantly over the last three decades. Even over the last four years, since UNCTAD–XII in Accra, developments of a century’s magnitude have occurred. The Conference must therefore work with the new realities at the centre, address root causes, and find meaningful and lasting solutions to persistent and emerging problems.

19. The Group, therefore, seeks to build a stronger consensus on development and develop new deliverables for LDCs at this time of multiple crises. It looks forward to a constructive and inclusive preparatory process. As the IPoA has recognized productive capacity-building as a development multiplier, renewed and strengthened international partnership should give priority to this issue to bring structural transformation and economic diversification in LDCs. The process should recognize the need for policy space necessary to pursue nationally-owned and specifically tailored development policies.

20. In addition to what has been suggested, the LDCs Group would like the following issues to be included in the outcome of the Conference under relevant themes and sub-themes:

(a) **The role of the State:** Experience has shown that dismantling of trade barriers and removing governmental interference in the economy is no panacea for weak and poverty-stricken LDCs. The unprecedented intervention by Western governments in financial markets is a reminder that an effective State is prerequisite for a fully functioning market and development of a vibrant private sector. While the Group believes in a well-functioning, universal, rules-based, open, non-discriminatory and equitable multilateral trading system that can work on the special problems of the LDCs, it feels that the State must play its rightful and developmental role in mitigating market imperfections and failures, and addressing externalities.

(b) **Trade in services:** Trade in services is one of the major potential sectors where the LDCs have comparative advantages. It needs to be better harnessed. To address

this issue, a special preferential package favouring all LDCs, in all sectors and modes of supply of export interest, particularly for the temporary movement of persons supplying services, should be made accessible. Focus should be on tourism, telecommunications, software engineering, hydro-electricity and other areas where a particular country has comparative and competitive advantages. The LDCs Group expects to benefit from UNCTAD's expertise, experience and resources in advancing the cause of trade in services.

(c) **Intellectual property rights:** Though the Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS) article 66.2 has a binding obligation for the developed members for the transfer of technology to the LDCs, it has remained unenforceable due to ambiguities present in the agreement. UNCTAD-XIII is the appropriate forum to remind the development partners of their commitment and persuade them to translate the provision into practice. There is an urgent need to make the mandatory requirement of disclosure for the genetic resources and associated traditional knowledge of the country of origin in all products, and for prior consent to be made compulsory in using and in the benefit-sharing mechanism. Promotion of indigenous skill and capacity of the LDCs should be prioritized in all production-enhancing processes. The establishment of an institutional mechanism to facilitate the activities, along with a clear mandate, is needed to reap the benefit from this sector.

(d) **Trade protectionism:** The LDCs' share in the global trading market is negligible despite all interventions made so far. Primary commodity is predominant in the merchandise trade of this group. Developed trading partners are not only reluctant to open their markets for all products of the LDCs and provide DFQF market access; they are seen imposing new restrictive barriers contrary to their commitments. Non-tariff barriers in the name of environmental goods, sensitive goods, eco-labelling and new and private standards are trade distorting measures and pushing back the exportation of products in developing and least developed countries. UNCTAD-XIII should analyse those hurdles and suggest a way forward on how to broaden market access by eliminating all those trade-distorting measures and ensuring full and meaningful participation of LDCs.

(e) **Early harvest:** The LDCs Group feels that the LDC package covering full implementation of DFQF market access, associated rules of origin, an MFN service waiver for LDCs, and "a step forward" on cotton should be agreed for an early harvest by the Eighth Ministerial Conference in December. The approval of the package will send an important message from the international community that has committed to support the LDCs enabling half their number to meet the criteria for graduation by 2020. The effective delivery of an early harvest is considered to be the first critical step from the global community for paving the way towards the implementation of the IPoA.

(f) **Technology transfer:** Technology has come to be a driving force of economic development and transformation. Transfer of appropriate and productive technology in the areas of agriculture, tourism marketing and modern financial services help add value chains. The Group underlines the need for undertaking on a priority basis a gap and capacity analysis with the aim of establishing an International Science, Technology and Innovation Centre dedicated to the LDCs to serve as a Technology Bank to help LDCs access and utilize critical technologies as agreed in the IPoA. The LDCs Group feels that UNCTAD-XIII provides a spectacular opportunity to deliberate and make suggestions on how to unlock the possibilities technology offers for the least advantaged and developed countries.

(g) **Food and energy security:** New challenges are being caused by food and energy price volatility. This is affecting a large number of LDCs in a disproportionate manner. Rising food prices, food shortages and energy security have ignited far-reaching socio-economic and political implications for security and stability across the developing world and even in the developed world. One billion people – one in seven of all human

beings – are compelled to go to bed with hungry stomach every night. It is a disgrace to humanity and the progress of the twenty-first century. Present trends continuing, it is likely that food and energy security will be the defining issues of the coming decades. The 2011 flagship report by the Food and Agriculture Organization of the United Nations, the International Fund for Agricultural Development and the World Food Programme gives a grim picture of more hunger to come: the report, entitled *The State of Food Insecurity in the World 2011* states that, even if the MDGs were achieved by 2015, some 600 million people in developing countries would still be undernourished thanks largely to food price volatility featuring high prices. The LDCs Group strongly feels that the establishment of the International Agriculture Centre dedicated to LDCs should be expedited and UNCTAD–XIII should give enough attention to these issues to address the root causes.

(h) **Trade facilitation:** Trade facilitation is of vital importance to all LDCs and landlocked developing countries. Investment in infrastructures such as transport, communication, energy, technology transfer and others is the necessary prerequisite to improve the productivity and supply-side capacity of the weaker members of the global community. Development dimension of trade should be internalized by development partners in all aid for trade initiatives. The share of the LDCs in the global trading system is negligible. An umbrella approach of multilateral legal framework on trade facilitation in support of capacity–building and technical assistance for all developing countries would be an easy task to project.

(i) **Aid effectiveness:** Foreign aid remains a crucial component of economic development of the LDCs. Its role has been recognized on the face of expanding development needs, low domestic savings and limited access to alternative financing mechanisms. It is a matter of great concern that those needing the most are not receiving the resources. Our discussion, however, should concentrate on addressing its deficiencies and enabling aid to reach its targets of the needy and destitute. The main issues include (a) siphoning of aid resources and illicit financial flow to the developed countries; (b) wrongly prioritized orientation of aid resources; (c) substantial portion of official development assistance (ODA) bypassing State mechanisms, including the national planning and budgetary processes, among others. Also, the gap between aid commitments and disbursements, and further widening of this gap, is a worrying matter.

(j) **Global financial governance:** The voice and representation of the LDCs in global financial governance need to be ensured to make decisions more relevant to the LDCs’ realities and for effective implementation of these decisions. Governance within the Bretton Woods Institutions needs to be reformed, as the system has been unable to foresee the crises and suggest timely mitigating measures in the financial crises. The LDCs Group feels that the time has come to revisit the structure of global economic governance. We are in a new situation that calls for new thinking. UNCTAD’s discussions should look into the various elements of the global economic system which need further reform, including global finance, as well as the future of the multilateral trading system, especially its relationship with the other pillars of the global economic system. Emphasis on the central role of the United Nations in the global economic system and international economic decision-making is of paramount importance.

(k) **Migration and development:** Human migration is a part of the globalization. The International Organization for Migration calls it the mega-trend of the twenty-first century. It is important that migration be included in the agenda and linked to development and building productive capacity. Migrant workers contribute to the economies of destination countries and countries of origins. The UNCTAD–XIII outcome should focus on the need to provide protection to workers’ rights, avoid unfair and discriminatory treatment of them through the development of appropriate laws as wells as accelerating developmental contributions of migration.

(l) **Youth and development:** Youths are LDCs' assets and distinctive advantage – almost a fifth of LDCs population falls within the age bracket of 15–24 defined as youth by the United Nations. Youths are our future – the creators, innovators and leaders of tomorrow. Any development discourse should concentrate on channelling these assets into the development mainstream and through this, preventing the destabilizing “youth bulge”! Only their engagement in constructive works will work as a deterrent to radicalization.

(m) **Agriculture, SMEs and rural economy:** Agriculture and small and medium-sized enterprises (SMEs) are the backbone of most LDCs economies, in particular rural economies, and the potential “job machines”. For years, agriculture has suffered from our “policy error” of inadequate focus. The share of ODA going to agriculture has fallen to as little as 3.8 per cent from an all-time high of over 10 per cent in the 1970s. We need to reverse the trend in order to make better the life of vast rural population of LDCs – 70 per cent of LDCs population lives in villages.

(n) **Climate change and development:** The most perplexing issue of our time is climate change. It has disproportionately affected the LDCs, which contribute the least or sometimes not at all to global warming. Climate change threatens to reverse some of the development gains that have been achieved to date (IPoA, Para 97). The LDCs need to be assisted for adaptation, mitigation and rehabilitation measures in a substantial way, through adequate funds and transfer of technology. The LDCs Group feels that the Rio+20 Conference early next year should fully integrate the IPoA into its outcome document and underline renewed and scaled-up global commitment to achieve sustainable development in the LDCs.

(o) **Implementation:** Plenty of declarations, work plans, policy guidelines and coordinating mechanisms are already well documented and spelt out. The glaring gap is in the implementation of those commitments. The LDCs Group would like to have those activities turned into concrete actions. We need more concerted and cooperative action than ever. Political leaders need to display leadership at this critical time. The time of action over reaction is out. Only concrete actions will help create a *strong, stable and balanced* global economy.

21. Finally, the LDCs remain the most vulnerable group of countries. The implementation of commitments made to them in the past, including the goals and objectives of the IPoA, gives an opportunity to create hope for future. The IPoA places the primary responsibility of development on LDCs themselves, but it is not possible without external support. The overarching goal of the IPoA is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable half the number of LDCs to meet the criteria for graduation from the least developed country category by 2020.

22. The imminent challenge before us now is the full, timely and effective implementation of the IPoA with renewed and strengthened support from the international community to realize the goals and objectives contained in the IPoA.

23. UNCTAD–XIII is an opportunity to reflect, lay more concrete emphasis on ODA, trade, investment, debt and technology transfer, which are vital parts of national and international development efforts. Infrastructures are the lifeline of any economy. A strong network of adequate physical infrastructures is essential to build State capacity, attract new investment, and promote economic development and integrate with the global economy. It is a matter of great concern that LDCs remain as poor destinations of investment, as reflected in the *World Investment Report 2011* of UNCTAD. The LDCs Group wants UNCTAD–XIII to underline the importance and need for increased investment in building the state capacity and creating conducive environment for investment in productive sectors and infrastructures. This will also help strengthen the capacity of LDCs in building long-

term resilience to mitigate crises and effectively respond to economic shocks. UNCTAD–XIII should focus on making LDCs good destinations for investment. This calls for an integrated policy approach to investment, technical assistance and capacity–building.

24. UNCTAD–XIII can help raise awareness, disseminate information, and help to lobby and advocate in an effective way for the cause of the LDCs. The LDCs Group feels that it is necessary to sharpen the focus on the multiplying challenges confronted by the LDCs, most of which have their origins outside their frontiers. UNCTAD–XIII should deliberate on those challenges.

25. The LDCs Group would like to recognize the pioneering efforts of UNCTAD to focus on structural impediments of the LDCs that kept alive their cause. International recognition of the category would not have been possible without the continued and sustained commitment of UNCTAD, for which the LDCs Group expresses its sincere appreciation. The Group feels that UNCTAD’s original mandate needs to be strengthened with a new direction in the context of the evolving complex political and economic environment.

26. It is in this context that the LDCs Group looks forward to the forthcoming UNCTAD–XIII in Doha in April 2012 and working together with partners in making the development relevant to the lives of teeming billions living in poor countries.

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