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DRAFT REPORT OF SESSIONAL COMMITTEE I

Rapporteur: Ms. Preeti Saran (India)

Speakers:

Officer-in-Charge of UNCTAD	Switzerland
Director of the Special Programme for LDCs, LLDCs and SIDS	China
Brazil for the G-77	Bangladesh
Haiti for GRULAC	Senegal
Pakistan for the Asian Group	Japan
Nigeria for the African Group	United States of America
Benin for the LDCs	Zambia
Netherlands for the European Union	Ethiopia
Mauritania	Afghanistan
Norway	Rwanda

Note for delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments to statements by individual delegations should be communicated by **Tuesday, 19 October 2004** at the latest to:

UNCTAD Editorial Section, Room E.8102, fax no. 917 0056, tel. no. 917 5654.

**REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE
PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES FOR
THE DECADE 2001–2010**

(Agenda item 4)

1. In opening the item, the **Officer-in-Charge of UNCTAD** stressed the critical importance that UNCTAD accorded to the development challenges faced by LDCs. He referred to the current economic and social situation in these countries by highlighting serious constraints on their development, including low levels of capital formation, high illiteracy rates, civil conflicts and high trade deficits. Welfare transfers were not sufficient to reduce poverty. Rather, he argued in favour of policies and assistance measures that would promote the development of productive capacity that would generate new and additional employment and increase household income. External trade could be critical in this regard. However, he warned against neutralizing the positive role of exports through declining capital inflows or increased debt service obligations.

2. The **Director of the Special Programme for Least Developed, Landlocked and Island Developing Countries**, in introducing the main findings of the *Least Developed Countries Report 2004*, noted a modest improvement in the economic performance of the LDCs during the period 2000–2002. However, many LDCs were off track with regard to achieving the Millennium Development Goals (MDGs), in particular the goal concerning the halving of the number of people living in absolute poverty. Nevertheless, he objected to any form of development pessimism, saying that development for the LDCs was by no means an impossible dream, provided that the right strategies and policies were applied and a friendly global environment allowed the mobilization of needed resources.

3. The representative of **Brazil**, speaking on behalf of the **Group of 77 and China**, said that the extensive trade liberalization in most LDCs had not had the expected results in terms of sustained poverty reduction and development. This was related to an economic paradigm that was inadequate to meet the immense challenges faced by LDCs. He stressed the need to identify and implement “post-liberal” development strategies, including proactive public policies that could facilitate development and poverty reduction in LDCs. Moreover, a greater focus was needed on international support measures to ensure the implementation of policies for the development of productive capacities through capital investment and skills acquisition, as well as technological change and modernization. He called on the international community to enhance its development efforts so as to implement its international commitments contained in the Brussels Programme of Action for the LDCs. In this context, he stressed the importance of a thorough assessment of the needs of LDCs, including with regard to basic infrastructure and human resource development, so as to enhance their attractiveness for FDI.

4. The representative of **Haiti**, speaking on behalf of the **Group of Latin American and Caribbean Countries** (GRULAC), recalled that very few LDCs applied a restrictive trade regime, that export revenues were highly concentrated within the group, and that most LDCs were being marginalized from the international trading system. Although international trade alone could not solve the problem of underdevelopment, a number of factors, which went beyond WTO issues, prevented the LDCs from seizing the benefits of trade liberalization. Here he emphasized the decrease in official

development assistance (ODA) and investment in the aftermath of trade liberalization. Accordingly, the effects of trade liberalization on growth in LDCs were not substantial.

5. Reaffirming GRULAC's faith in the Doha development objectives, he supported the policy recommendations made in the *LDCs Report 2004* regarding the need for increased trade opportunities, more efficient technical/financial assistance, debt relief, private capital flows, and international assistance in support of technology transfer and acquisition.

6. The representative of **Pakistan**, speaking on behalf of the **Asian Group and China**, recalled the importance of ensuring policy space and a better balance in international economic relations and stressed that the trade liberalization efforts of LDCs needed to be accompanied by complementary policies and a favourable external economic environment. A combination of increased aid flows, effective preferential market access arrangements and improved FDI flows would be useful towards the achievement of the MDGs.

7. Despite a modest increase in aggregate net resource flows to LDCs in 2001–2002, very few member countries of the OECD's Development Assistance Committee had attained or surpassed the 0.15 per cent target ratio for ODA in comparison with gross national income agreed to in the Brussels Programme of Action. While the distribution of ODA to strategic sectors of LDCs, in particular economic infrastructure, remained problematic, efforts to untie ODA were encouraging and should contribute to the increased effectiveness of ODA. He emphasized the need for enhanced South-South cooperation but added that this should be viewed as a supplement to, not a substitute for, North-South cooperation. He recalled the commitment in the São Paulo Consensus to publish the *LDCs Report* annually and referred to the mandate regarding small and vulnerable economies, as well as landlocked and transit developing countries.

8. The representative of **Nigeria**, speaking on behalf of the **African Group**, stressed the importance of improving socio-economic conditions in LDCs, so as to meet the poverty reduction and growth targets of the Brussels Programme of Action as well as the MDGs. He called for a more detailed examination of the challenges facing LDCs in order to benefit from potential positive effects between trade and poverty reduction. Referring to the mixed trade-growth-poverty reduction performance of LDCs over the past years, despite liberalization efforts by these countries, he stressed the need to explore alternative national development strategies for LDCs that would provide policy space for LDCs to pursue their development agendas. He also referred to the damaging effect of price instability in commodity markets on many LDCs and highlighted the need for special and differential treatment in favour of LDCs as well as market access preferences and greater integration of LDCs into South-South trade. While the work of the Integrated Framework was commendable, it was necessary to accelerate the pace as well as increase the scope of trade-related technical assistance. He called on the international community to increase resources for the regular replenishment of the Trust Fund for LDCs.

9. The representative of **Benin**, speaking on behalf of the **least developed countries** (LDCs), expressed concern at the rise in the number of LDCs, instead of a decrease that had initially been expected and was still hoped for. While the objectives of the Brussels Plan of Action were still valid, recent evaluations showed that LDCs would not meet the goals if current trends continued.

10. He suggested a comprehensive needs assessment to establish the volume of needed financial flows for effective poverty reduction in LDCs. Regarding the LDCs' participation in multilateral trade, he pointed to the fact that, despite broad liberalization measures undertaken by LDCs, the

results were meagre and trade deficits had increased, while FDI flows to LDCs were concentrated in a few countries and limited to certain sectors such as telecommunications.

11. He stressed the need for massive technical and financial assistance to break the vicious cycles of lack of competitiveness, low-value-added products, undiversified economies, high debt and chronic underdevelopment. To help LDCs overcome these imbalances, he urged UNCTAD to increase its technical assistance activities on behalf of LDCs.

12. The representative of the **Netherlands**, speaking on behalf of the **European Union (EU)**, concurred with the general thrust of the analysis of the *LDCs Report 2004*. Pointing to positive trends in overall economic performance and aid flows, he called for measures to make these developments more sustainable and broad-based. He emphasized the need to strengthen productive capacities in LDCs so as to enable these countries to make better use of EU preferential market access schemes such as the Everything But Arms initiative and the recently launched initiative on commodity issues. Finally, he expressed support for giving priority to the analytical work on LDCs and technical assistance in favour of these countries by allocating adequate financial and human resources within the UNCTAD secretariat.

13. The representative of **Mauritania** expressed concern at the slow progress in implementing the Brussels Programme of Action. More vigorous implementation was needed. He urged development partners to honour their commitments. The history of LDCs was one of missed appointments. The international community should do more on behalf of LDCs this time around than it had in the past two decades. Concerted efforts were particularly needed with regard to increasing aid, finding sustainable solutions to the debt issue, facilitating market access and capacity building.

14. The representative of **Norway** stressed that the proper implementation of the Brussels Programme of Action should be given highest priority by all stakeholders — UN agencies, other multilateral institutions, the bilateral donor community and the LDCs themselves. In light of the slow progress made by most LDCs regarding poverty reduction targets, particularly in sub-Saharan Africa, he stressed the need for broader resource mobilization and assistance at both the national and international levels. Norway had started granting duty- and quota free access to the Norwegian market as of July 2002, had made the LDCs a target group for ODA in excess of the 0.2 per cent of GNI target, and had invited advanced developing countries to contribute to improved market access for LDCs. He praised the revitalization of the GSTP scheme and reiterated Norway's full support for this endeavour. Regarding the development of production and trade capacity, he underscored the importance of the Integrated Framework for trade-related technical assistance.

15. The representative of **Switzerland** stressed the need to increase efforts at the national level to mainstream trade into poverty reduction strategies. This would contribute to strengthening the linkages between international trade and the rest of the domestic economy and help adjust trade policies towards the achievement of poverty reduction and development goals. Switzerland welcomed the forthcoming workshop on mainstreaming of trade issues into Poverty Reduction Strategy Papers (PRSPs), to be held in Kigali (Rwanda). He recalled the importance of special and differential treatment and preferential market access for LDCs. He stressed the potential of South-South trade for LDCs and suggested making this issue a central theme of the next *LDCs Report*.

16. The representative of **China** expressed concern at the LDCs' position as a vulnerable group facing increasing marginalization in the world economy. He highlighted the LDCs' efforts to redress their difficulties, through, *inter alia*, vigorous domestic economic reform programmes implemented, but urged the international community to share responsibility for helping improve the unfavourable

conditions facing LDCs through the provision of practical support and assistance in areas such as investment, trade, debt relief, increasing ODA and technical support. He also referred to the critical importance of preferential market access for products from LDCs, and he called for technical assistance and capacity-building measures that took into consideration the specific conditions of LDCs.

17. The representative of **Bangladesh** highlighted the need to address a number of major handicaps facing LDCs, such as lack of trade capacities, unfavourable terms of trade, underdeveloped capital and financial markets, lack of resources, inadequate human capital and high levels of external indebtedness. He expressed concern regarding trends in ODA and FDI flows. With respect to mainstreaming trade into the PRSP process, he expressed concern at the speed and extent of trade liberalization and called for trade-related technical assistance in line with national priorities as well as for complementary country-specific PRSP support strategies. He also referred to reconciling conditionalities attached to international trade and aid flows and national development priorities.

18. The representative of **Senegal** warned that poverty continued to increase in LDCs despite efforts made by their Governments in terms of extensive policy shifts, including trade liberalization. He called for increased assistance for building productive capacities and for the reduction of agricultural subsidies in developed countries. He advocated international policy measures to solve LDCs' vulnerability to sharp commodity price swings and pleaded for more efficient trade preferences and South-South cooperation. Regarding the implementation of the São Paulo consensus, he pointed to the need to substantively increase resources, in particular for the Special Programme for LDCs.

19. The representative of **Japan** said that his country supported the main ideas in the *LDCs Report 2004*. Transit transport issues were of particular importance to Japan, hence the country's interest in the implementation of the recommendations of the International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation held in Kazakhstan in 2003. Other issues supported by Japan included agriculture in SIDS, negotiations for access by LDCs to the WTO, supply of infrastructure, medical services, debt cancellation and peace restoration in conflict countries. He also announced that an Asia-Africa conference on investment would be held in November 2004.

20. The representative of the **United States of America** pointed to the numerous challenges faced by LDCs and emphasized the need to tackle the poverty issue through appropriate policy measures on multiple fronts. Development could only be successful if all resources – including trade, investment, domestic savings and remittances, in addition to ODA – were mobilized. He highlighted the potential contribution by the private sector to development, as well as the need for good governance, transparency, open trade and investment regimes, the rule of law and the protection of property rights. Referring to the increase in ODA flows from his country, he stressed the importance of other crucial forms of financial transfer to LDCs, such as remittances and private capital flows.

21. The representative of **Zambia** highlighted the plight of the populations in LDCs. Referring to the commitments made in the Brussels Programme of Action, he called for more assistance for LDCs and expressed confidence that the international community would enhance its efforts to assist LDCs in their efforts to exit the poverty trap.

22. The representative of **Ethiopia** emphasized the need to further analyse the link between extreme poverty and commodity dependence and to identify policies that would mitigate the LDCs'

vulnerability to external shocks in commodity markets by linking debt repayment schedules to world market prices. He advocated enhanced market access for LDCs and called for the dismantling of market entrance barriers in order to enable LDCs in the process of accession to the WTO to benefit from special and differential treatment provisions available to LDC member countries of the WTO. He stressed the need to enhance flows of FDI, technology and concessional finance to LDCs. Finally, he expressed concern about the slow pace of the implementation of international commitments and urged the LDCs' development partners to continue contributing to the Trust Fund for LDCs on a predictable and regular basis.

23. The representative of **Afghanistan** welcomed recent positive developments in LDCs but warned against underestimating the challenges faced by these countries. Reducing poverty in these countries remained a formidable task, and the interlinkages between trade and poverty reduction were more complex than had been expected. Poverty was a multifaceted problem that included issues such as civil strife, low levels of human resources development, and lack of productive capacity. Summarizing the situation in his country, he referred to recently adopted economic policies that would ensure dynamic growth of the non-drug economy, with a per capita income target of US\$500 by the year 2015. A new trade regime in conformity with WTO rules would be instrumental in sustaining the recovery of the agricultural sector and the revival of the economy as a whole. However, he emphasized the need for further international assistance for his country.

24. The representative of **Rwanda** said that his country was committed to poverty reduction through various policies, including the promotion of external trade. If there was a link between trade and poverty reduction, it would be necessary to identify relevant factors that impeded or furthered poverty reduction. There was a need to achieve coherence in domestic policies regarding debt, financial transfers, investment and related matters. Economic growth, and hence an increase in per capita income, could be achieved only if LDCs had sufficient productive capacities and made effective use of them. However, policy coherence was also needed at the international level, and he appealed to the international community to undertake steps aimed at harmonizing international policies.

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