SG's Ad Hoc Expert Group Meeting

UNLDC IV: Key Development Challenges facing the LDCs

18-19 February 2010

Statement

by

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The view expressed are those of the author and do not necessarily reflect the views of UNCTAD
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(18 FEBRUARY 2010)

Mr. President,
Mr. Secretary General,
Ambassador Bhattarai,
Excellencies,
Dear Colleagues,

It is my honor to address you on the occasion of this Ad Hoc Expert Meeting. I would like to thank Dr. Supachai as well as UNCTAD Secretariat for making the preparatory process inclusive and transparent so that different views and experiences of panelists as well as member states on the issues of importance to LDCs could be listened to. It is my country’s privilege to host UN LDC 4 which will be held in the first half of 2011. Turkey has been showing great interest in issues pertaining to LDCs and doing its part to raise awareness on these issues in the international community.

Like for every major event, we strongly believe that the preparatory process for UN LDC 4 is crucial. In this regard, as the host country, we attach utmost value to the preparation process. Therefore, I encourage all my colleagues present here today to actively participate in the discussions. I am confident that our deliberations during these two days are going to create an important input for the report being prepared by UNCTAD. It is particularly encouraging to note that UNCTAD has been actively engaged in the preparations to the Conference. In addition to its research and policy analysis work, the Outcome of the Kampala Expert Meeting of LDCs in the form of Summary Recommendations is one of the substantive contributions in the cause of LDCs.
I would also like to express our thanks and support to the work being carried out by the Task Force headed by my dear friend Mr. Debapriya Bhattacharya. I believe that his skills, wisdom, and knowledge combined with the work of his able team, the Report they are preparing will be a major source of inspiration to the process.

Mr. President,

Since 2001-2010 Brussels Programme of Action 2001, LDCs have showed an improved socio-economic performance, with real GDP growth reaching the 7 per cent target agreed in the Brussels Plan of Action. Although this positive trend changed from region to region, from country to country. We can talk about a modest progress made towards achieving development targets of the Brussels Programme of Action and internationally agreed development goals, including Millennium Development Goals.

With respect to the international trade, LDCs have attained a surplus in the goods trade mainly generated by the oil exporting LDCs since the Third UN LDC Conference. However, the LDCs’ export structure remained limited to a few primary products and low-skill labour intensive manufacturers. In most cases this economic growth failed to turn into a sustained poverty reduction. The positive commodity price boom between 2002 and 2008, turn into a sharp decline during the second half of 2008, stemming from the decline in global demand due to global economic crisis. As a result, export earnings of LDCs sharply declined up to 50 per cent over the first half of 2009 and their share in the world trade remained at 0.85 per cent, which unfortunately could only be depicted as marginal.

The international community has been largely supportive of LDCs development. FDI to the LDCs increased noticeably, enabling them to benefit from their comparative advantage in natural resources. We also noted an increase in Official Development Assistance to the LDCs which is vital in sustaining growth in LDCs and in supplementing domestic public investment in economic and social goals. Furthermore, debt relief through both Heavily Indebted Poor Countries Program and Multilateral Debt Relief Initiative have freed resources for development and poverty reduction in several LDCs.
And emergence of new development partners such as Turkey, offered exchange of experience, FDI, technology transfer and new market opportunities for LDCs.

Mr. President,

The challenges that LDCs face are numerous. Some of them are longstanding and some are new. These include: massive poverty, underdevelopment, lack of infrastructure, weak productive and supply capacities, lack of institutional and technical capabilities to design and implement policies, lack of financial resources, low level of human development, low labour productivity, overdependence on a few commodity exports and brain drain. These challenges are further aggravated by environmental degradation, climate change and disruptive weather patterns which makes LDCs the most vulnerable group of countries. This is exactly what we saw when Haiti was struck by the devastating earthquake on 12 January this year. There are also new and emerging challenges facing these countries such as the recent global economic and financial crises as well as food and energy related crises. This is mostly due to the inability of LDCs’ economies to withstand and insulate themselves from major external economic shocks.

An other important challenge is the post-graduation uncertainty regarding the international support measures and eventual loss of such measures in the areas of ODA, market access, special and differential treatment with regard to WTO and trade related capacity building. In principle, countries that are on the path of graduation (which are very few indeed) must do so however the benefits should not be withdrawn immediately. There should be sufficient transition period for these countries. We do not also believe that graduation is, at this stage, an issue for most LDCs. Countries lagging behind should deserve a maximum support of the international community to build and sustain conditions for their socio-economic transformation.

Mr. President,

To respond to these complex development challenges, LDCs and their development partners should take robust policy measures and actions at the national and international levels. At the national level, LDCs should continue to create macro-
economic environment necessary for their economic revival and sustainable growth. Such an environment should also entail the emergence, growth and contribution of the private sector and civil society actors. It should also be noted that there could be no simple, uniform and universal blueprint that enables LDCs to arrest and reverse their conditions. LDCs have been formulating their home-grown development policies. The primary responsibility for their implementation has always lied with the LDCs, themselves.

However, national practices should be supported by the development partners to address the complex problems and challenges facing them. It is expected from the development partners to make further efforts to assist LDCs in their development process. By scaling up the quantity of ODA, improving its effectiveness assisting LDCs to attract and benefit from foreign direct investment and improving market access conditions are the primary tools that development partners would utilise.

Available evidence indicates that aid disbursements are still short of the aid targets agreed in the Brussels Plan of Action. On the other hand, large share of ODA is being provided in the form of debt relief or humanitarian assistance. Therefore, there is a need to improve the quality of aid and build effective country ownership of development policies and the strategies of LDCs. It is also important to keep different and special conditions of each LDC in mind. They have different socio-economic, political and geographical or natural characteristics. Some of them are landlocked, some are island states, some are oil and mineral exporters while some are emerging from conflict or are in a conflict situation. Hence, national and international policies should be tailored to address their specific challenges and needs.

An other important area relates to assisting LDCs to benefit from the multilateral trading system. This brings the question of their accession to WTO. Accession procedures for LDCs should be simplified, harmonized and accelerated. LDCs acceding to WTO should also be provided with adequate financial and technical assistance in order for them to adjust and build their institutional, regulatory and administrative capacities. Further measures to help LDCs benefit from the world trade should include the provision of immediate, predictable duty free and quota free market access on a lasting basis to all products originating from all the LDCs with simplified and transparent
rules of origin so as to facilitate exports from LDCs. Turkey has been providing duty-free, quota-free market access for the industrial goods originating from LDCs since 2006. The value of the Turkish imports from LDCs increased by 27 per cent between 2006 and 2007.

LDCs also need support in developing their services sector. Recent studies by UNCTAD show that there are enhanced opportunities in the service trade. The contribution of the services sector to the GDP is more than 30 per cent in many LDCs. Therefore the potential of services should be tapped. In addition, the economic and social benefits of tourism are much greater than the revenue it generates. Tourism sector, due to its labour intensive nature creates jobs especially for small enterprises. The LDCs need technical assistance to further develop this sector. Turkey has an experience in this field and willing to share this with LDCs through various technical cooperation initiatives.

Further international support measures in favour of LDCs should also assist in redirecting remittances towards productive investment schemes and their development partners should provide adequate technical and financial support in this area. Similarly, the initiatives such as EIF and Aid for Trade can help alleviate constraints impeding supply capacities, including weak trade-related infrastructure. EIF constitutes an important mechanism to strengthen the delivery of trade-related technical assistance to LDCs and to mainstream trade in their national development strategies should be further reinforced.

Mr. President,

UN LDC 4 is going to take place against mixed and limited progress and in the face of continuing challenges. We expect that the Conference would provide a renewed political momentum to mobilize international community in support of LDCs and also to generate more public action against poverty in LDCs. We believe that one of the main responsibilities of Turkey as the host country is to create a political momentum including raising awareness and interest in the issues related to LDCs among the international community. I assure you that we are committed to do so. Furthermore, the Conference
should particularly help in forging consensus on new and innovative international support mechanisms, while enhancing existing support measures.

In conclusion, it is our conviction that the outcome of the Conference should be synchronised with other ongoing international processes including MDGs, DDA, Financing for Development, climate change. It should be the product of the partnership with multi-stakeholders, including governments, private sector and civil society and NGOs. It should be action oriented.

Thank you