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Sessional Committee I

DRAFT REPORT OF SESSIONAL COMMITTEE I

Rapporteur : Mr. Shambhu Ram Simkhada (Nepal)

(Continued)

<u>Speakers</u> :	Norway	Nepal
	Republic of Korea	Switzerland
	Yemen	Islamic Republic of Iran
	Japan	Australia
	Sudan	Nigeria
	Haiti	Canada

Note for delegations

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

Requests for amendments to statements by individual delegations - to be submitted in English or French - should be communicated by **Friday, 31 October 1997, at the latest** to:

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Chapter I

**REVIEW OF PROGRESS IN THE IMPLEMENTATION OF THE PROGRAMME OF ACTION
FOR THE LEAST DEVELOPED COUNTRIES FOR THE 1990s**

- (a) POLICY REFORMS IN AGRICULTURE AND THEIR IMPLICATIONS FOR LDCs' DEVELOPMENT**

- (b) CONTRIBUTION BY THE BOARD TO THE CONSIDERATION OF THE GENERAL ASSEMBLY, AT ITS FIFTY-SECOND SESSION, OF HOLDING A THIRD UNITED NATIONS CONFERENCE**

(Agenda item 4)

(Continued)

1. The representative of **Norway** said that the LDCs 1997 Report was encouraging for those following developments in LDCs. He noted that economic progress recorded in LDCs had taken place against a backdrop of stagnation in ODA to those countries, continued external debt problems and falling commodity prices. Norway was concerned about one main issue: the small share of FDI going to LDCs. It would be useful for UNCTAD to study the conditions necessary for attracting FDI to LDCs. Norway had always contributed to efforts to prevent economic isolation, and intended to continue this policy, as was reflected in the growth - in real terms - in Norwegian development assistance. The Norwegian Government had that week proposed an increase in the allocation for development assistance - from 0.85 per cent the previous year to 0.88 per cent. Regrettably, very few countries had attained the UN targets for development assistance of 0.7 per cent of GNP to developing countries and 0.15 per cent to the LDCs. Norway welcomed the HIPC initiative of the World Bank and the IMF, and would contribute financially to the scheme in the hope that there would be the broadest possible participation by industrialized countries.

2. The agreed with the LDCs 1997 Report that good governance and efforts to avoid internal unrest were essential ingredients for promoting sustainable development in any country. UNCTAD could play a supporting role by providing policy guidance to interested countries within its mandate. The focus of the Report on social and economic regress was well worth pursuing. Norway strongly supported efforts to improve conflict detection and prevention within the UN system, particularly UNCTAD's work in that regard. In addition, it endorsed the importance attached to technical cooperation through capacity-building, development of democracy and the formulation of policy guidelines, as indicated in the Report. Its recent contribution of nearly \$1 million to UNCTAD's technical cooperation programme was a clear manifestation of that.

3. Norway looked forward to the High-Level Meeting on LDCs later that month, which would seek to facilitate the integration of the LDCs into the multilateral trading system. Norway was fully committed to improved market access for LDCs' exports. Export of those countries' industrial products enjoyed free access to the Norwegian market. Norway intended to remove its quotas on textile imports by 1998 ahead of the 2005 deadline in the WTO Agreement and had abolished all tariffs and quotas on imports of many agricultural products from LDCs. Its GSP scheme had been substantially reviewed. In his opinion, access to foreign markets for agricultural products was crucial to the success of agricultural reforms recommended by the LDC Report.

4. Norway believed that UNCTAD had an important function to perform in helping developing countries, and particularly LDCs, to take advantage of the opportunities offered by globalization and liberalization.

5. The representative of the Republic of Korea said that he shared the concern that in the era of globalization there existed a danger of marginalization for many LDCs. The international community should continue to provide assistance to those countries so that they could take advantage of an open and free world economy.

6. UNCTAD could make valuable contributions to development by energizing its mandate for development cooperation. His country commended the endeavours of the Secretary-General aimed at revitalizing UNCTAD under the

mandate of the Midrand meeting. He welcomed the forthcoming High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development. UNCTAD should continue to play a key role in this initiative's implementation and follow-up process.

7. He commended the UNCTAD secretariat for The Least Developed Countries, 1997 Report and its analysis of agriculture in LDCs. Even though South-East Asia was going through a period of difficult economic adjustment, the viability of the regional economy was set to be reactivated in mid-term and the forces of the market economy would ultimately reach the other regions. He noted with concern the declining trend in ODA to LDCs and urged the international community to provide technical assistance to those countries. Although his country was experiencing difficult economic restructuring, it would spare no effort in sharing its experience and making resources available for international development.

8. The representative of Yemen said that his country had faced several difficulties due to economic and financial imbalances. This had led to a reduced ability to finance development projects, slow economic growth, inflation and depreciation of the national currency. To remedy these imbalances, the Government had adopted a development planning strategy covering the period 1996-2000. It was based on market mechanisms, promotion of investment, privatization of infrastructure projects, liberalization of domestic and external trade, restoring the macroeconomic balance and combating inflation. In addition, the Government, in cooperation with the IMF and the World Bank, had adopted a comprehensive economic reform programme. The first two phases of this programme had been successfully completed in 1995 and 1996. The results had been reduced government expenditure, improved economic administration, a stabilized Yemeni rial, promotion of private sector activities, enactment of transparent investment and trade policies, agricultural privatization, giving priority to technical education and starting the implementation of a social security system. The third phase of the programme was being implemented in 1997.

9. Aware that trade and investment had a major role in development, Yemen had established an investment authority which was the main government agency for dealing with all investment issues in a flexible and transparent

way. There were many factors which provided incentives for investing in Yemen. These included the improved investment climate, domestic and regional markets, the availability of agricultural, fish and mineral resources, the availability of the labour force and the establishment of a Free Trade Zone in Aden.

10. The speaker expressed appreciation to all donor countries and to UNCTAD and other specialized agencies for the assistance provided to Yemen in different areas. He identified the following areas where Yemen required increased technical assistance: general training in trade matters (under TRAINFORTRADE), training to operate ASYCUDA, quality control in the agricultural and food industries, trade information technology, establishment of a financial market, and policy advice and experience in the area of foreign trade and trade negotiations.

11. The representative of Japan noted the encouraging revival of economic growth in many of the LDCs in the last few years, but observed that performance varied between countries. He called on the international community to provide support corresponding to the needs of each LDC. He expressed the hope that an effective and efficient Integrated Framework for Trade-Related Technical Assistance would be agreed at the forthcoming High-Level Meeting on LDCs.

12. The speaker underlined the importance of agriculture to economic development and social stability in LDCs, and to world-wide food security. In addition, he noted the success of some African LDCs in expanding agricultural exports through trade and tax policy reforms. To achieve the objective of poverty reduction and sustainable growth, the LDCs' own resolute efforts and the support of the international community were indispensable.

13. The representative of Sudan expressed his appreciation to the Secretary-General of UNCTAD for the continued dedication and great efforts in favour of LDCs in the areas of trade and development through analysis, research and technical assistance activities. In particular, he expressed appreciation for the establishment of the Trust Fund and the initiation of the Integrated Country Programmes, which his country looked forward to benefiting from. He said that the LDCs 1997 Report was a valuable

contribution by the UNCTAD secretariat in terms of its content and the way it analysed the different aspects of the growth and development problems in LDCs. He noted that it referred to some positive developments that had taken place in the LDCs in the 1990s, mainly as a result of the genuine domestic efforts to implement economic reforms and of favourable climatic conditions. The Report stressed the significance and importance of international support to ensure sustainable growth and to avoid regress, which might ultimately lead to catastrophic results. He said that international support to LDCs in the 1990s had been increasingly diminishing. ODA flows had reached their lowest level in 1995. FDI flows to LDCs had been insignificant. The external debt burden continued to grow between 1990 and 1995. In that regard, he welcomed the HIPC's initiative. If it was to provide adequate debt relief to LDCs, it should be implemented with a great deal of flexibility and urgency, which required considerable genuine political will on the part of creditors. He urged the international community to take immediate and concrete steps towards integrating the LDCs into the world economy and the international trading system. Workable global strategies should be identified if LDCs were to be active actors in the world economy and the international trading system. He emphasized the importance of the Third Global Review Conference on the LDCs and said that the work of the Trade and Development Board would facilitate the General Assembly's consideration of that issue.

14. The spokesman for the Latin American and Caribbean Group (Haiti) said that his country was the only LDC in that region. He congratulated UNCTAD on its active participation in the preparation, together with the WTO, of the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development. He encouraged UNCTAD to continue to promote economic and technical cooperation, especially between LDCs and other developing countries.

15. Concerning The Least Developed Countries, 1997 Report and the agenda item under consideration, the speaker underlined the relevance for his country of the analyses concerning the responsibility of the absence of political consensus on economic reforms for the decline in economic growth, the delay in aid delivery, persistent social regress and increased insecurity. Consequently, he wished to open discussions on the questions of institutional decline, state failure and social regress, which would

provide the Trade and Development Board with an opportunity to discuss possible solutions to these issues.

16. The representative of Nepal underlined the contradictions between on the one hand the trend towards a liberalized world economy and on the other the marginalization of LDCs in that process. Referring to the meagre share of LDCs in world trade, the dwindling ODA flows and the staggering debt burden, he called for a renewed and broad-based political consensus on the part of the international community to reverse the growing marginalization of these countries.

17. Any serious attempt to achieve a positive transformation of the socio-economic situation in LDCs must involve a greater focus on agriculture. For countries like Nepal, this needed to be complemented by actions in certain non-agricultural sectors, such as tourism and hydropower. Enhancing the productivity of small-holder agriculture could substantially contribute to food security and improved living conditions. Also, developing the agricultural sector could open up prospects for boosting and diversifying exports. However, lack of resources remained a key constraint on agricultural expansion.

18. There was a growing consensus that LDCs' marginalization in a globalizing and liberalizing world economy could not be allowed to continue unabated. Recent initiatives, including the special emphasis accorded by the Board to the LDCs and the High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, represented concrete attempts by the international community to reverse the LDCs' plight.

19. The representative of Switzerland commended the UNCTAD secretariat for the excellent LDCs 1997 Report, which provided a thorough analysis of recent developments in LDCs. Commenting on some of the main conclusions in the Report, he fully agreed that functioning institutions were crucial for sustainable development. Success in the long term depended on strong political and institutional support and on measures to alleviate the socially negative effects of reform programmes. Functioning democratic institutions, the application of principles of good governance and participatory development were prerequisites for sustainable growth. Through conflict prevention and a subsequent demilitarization of borders,

integration mechanisms for the free flow of goods, services and people could be consolidated, thus serving the needs of long-term socio-economic development. In the previous couple of years, the concept of enhanced regional cooperation as a means of economic development had gained considerable ground. Regional cooperation could yield particular benefits, especially for small and land-locked LDCs that lacked domestic markets of a significant size. Agriculture had been a priority area for Swiss development cooperation, and would remain so.

20. The horizontal diversification of export products could only be achieved by successfully implementing the concept of vertical integration. Improvements in the areas of education, health and sanitation, basic infrastructure, small enterprise promotion and rural systems of credit were the basis for subsequent trade and export promotion. Integrating LDCs into a globalizing economy was no longer primarily a trade policy challenge. Building capacity for trade was a development problem which had to be confronted jointly and urgently by the trade and aid communities. Referring to the agreement reached at Midrand that the future activities of UNCTAD should be focused on the needs of LDCs, he welcomed the increase in LDCs' share in 1996 in UNCTAD's technical assistance activities and supported UNCTAD's intention to increase it further.

21. In 1995, Switzerland had allocated 0.10 per cent of its GNP to LDCs. The existing budgetary situation, however, left little room for significant increases, and there was therefore a need for further improvement in the quality of cooperation and for further coordination with other bilateral and multilateral donors.

22. The representative of the Islamic Republic of Iran stressed the importance his country attached to UNCTAD's activities in favour of LDCs. The UNCTAD technical cooperation strategy and its work programme were the main blueprints which provided a bright horizon in terms of UNCTAD's role in creating capacities necessary for growth and development. His country's bilateral assistance to LDCs in the past had been extensive. Moreover, his country was currently on the threshold of formulating its cooperation and assistance policy on LDCs through multilateral channels, especially UNCTAD.

23. He said that the absence of countries not members of the WTO from the High-Level Meeting on LDCs could weaken political will and commitments on the part of members of UNCTAD as regards any recommendation that might result from the Meeting. He believed that the provision of a universal setting for launching such initiatives would be more beneficial to the developing countries and especially LDCs, and would help to create a universal framework for future activities. His delegation continued its support for deliberations on LDCs on the basis of the Midrand final document and UNCTAD's work programme, as well as of related strategies.

24. He hoped that on similar occasions in the future, especially whenever a deliberative process in the area of technical cooperation was planned, the machinery of UNCTAD would be at the centre of the consensus-building process and would add more dynamism and credibility to deliberations and subsequent decisions.

25. The representative of Australia said that her country supported the analysis and general findings of The Least Developed Countries, 1997 Report, and particularly Part Two, which focused on agricultural development and policy reforms in LDCs. It agreed with the Report's conclusion that although significant reforms of the rules governing agricultural regimes in developed countries had been carried out, the degree of overall trade liberalization was limited. It also agreed with the Report's assessment that sanitary and phytosanitary standards would play an important role in market access for LDCs' processed agricultural products, particularly in ensuring that food safety and animal and plant health measures were legitimate and not used for the purpose of providing industry protection. Australia supported the acknowledged need for technical and financial assistance to help LDCs in implementing the Agreement on the Application of Sanitary and Phytosanitary Measures. Through its overseas aid programme, Australia had helped several countries in the Asia-Pacific region to improve their sanitary and phytosanitary standards, for example in strengthening quarantine services and controlling animal and plant diseases. It would consider assistance to LDCs in the Asia-Pacific region, subject to resource constraints and LDC priorities. Australia had a range of expertise in agriculture to offer LDCs, particularly in tropical agriculture.

26. Australia looked forward to the forthcoming High-Level Meeting on LDCs. It hoped that it would be the start of a process which would maximize the benefits to LDCs of trade-related technical assistance, and thus lead to tangible improvements in LDC participation in world trade and to real improvements in living standards.

27. The representative of **Nigeria** thanked the UNCTAD secretariat for the excellent document prepared for this agenda item. He agreed with the analysis it contained. He expressed his appreciation to the countries that had shown some concern for the challenges facing the LDCs and Africa. It was his expectation that concrete and effective action would be taken. The international community was yet to play its part effectively, despite the fact that most LDCs had put in place all the necessary conditions for overcoming the challenges facing them.

28. In the view of his delegation, for the LDCs to move out of the present economic cycle, the following issues had to be addressed: the debt overhang; commodity diversification; improved agricultural production, with adequate emphasis on food production; improvement in supply capacity; market access; increased ODA; and improved infrastructure and FDI.

29. Unless these issues were addressed, no amount of efforts made elsewhere would yield the expected result. Because of the heavy debt burden, many LDC Governments could not adequately meet their responsibilities for the provision of the basic social amenities, such as health services, water supply and basic education. This was having far-reaching adverse effects on capacity-building. Furthermore, the lack of adequate infrastructure could act as a disincentive to investors. He therefore called for special and effective action on the problem of debt, commodity diversification and the development of infrastructure. He called on UNCTAD to continue to coordinate its activities and programmes, where appropriate, with other relevant bodies, particularly the WTO, UNIDO, ITC and the Bretton Woods institutions.

30. The representative of **Canada** said that The Least Developed Countries, 1997 Report was a thorough and comprehensive document which in a balanced fashion showed both progress and areas for improvement in LDC issues. She welcomed in particular the analysis of agriculture and of the need for both

appropriate national policies and an international environment conducive to ensuring continued improvement. The emphasis in the Report on food security, the needs of the poorest and peace-building was very much appreciated, as all were priorities for Canada's foreign and development policies.

31. Canada had long been in the forefront of the international community in offering liberal market access for exports from the developing world and in particular from the LDCs. It continued to explore ways to facilitate LDCs' utilization of market access opportunities, including wide-country coverage, extensive product coverage, simple and transparent rules of origin, and long-term and stable trade support. In addition, her country was particularly interested in technical assistance in capacity-building and had been actively involved in the preparation of the forthcoming High-Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development. The discussions today were part of a continuation of the analysis of the situation of LDC capacity-building and technical assistance, which should enable LDCs to take advantage of market opportunities. Her delegation hoped that the discussion would result in pragmatic courses of future action, both by the international community and by the UNCTAD secretariat, on the further integration of the LDCs into the international economy.