



# trade hot topics

## Fourth UN Conference on LDCs: What to Expect?

Debapriya Bhattacharya \*

### Background

Global problems need global responses. Global leaders often get together to validate these responses. However, such high level conclaves often have low effectiveness when their outcomes do not contain relevant, concrete and monitorable deliverables - backed up by critical political ownership. The Fourth United Nations Conference on the Least Developed Countries (UNLDC IV) will be held in Turkey during the first half of 2011. As the preparatory process gathers momentum, the challenges of designing a high-value outcome appear to be increasingly daunting. The present article seeks to highlight some of the relevant concerns.

### The Backdrop

The origin of the LDC concept may be traced back to 1970 when the International Development Strategy for the Second UN Development Decade acknowledged the existence of a group of countries that was distinct not only in terms of the prevalence of acute poverty, but also in terms of weak economic, institutional and human resources combined with geophysical handicaps. Since then three UN Conferences have been held (the first two in Paris in 1981 and 1991 and the last one in Brussels in 2001) where Programmes of Actions were adopted to undertake various measures on behalf of the

international development community towards ameliorating the circumstances of the LDCs.

The definition of an LDC has been subjected to changes over time. Three sets of composite criteria covering income, human asset and economic vulnerability are currently deployed for the purpose. Starting with 25, the current list comprises 49 countries: 33 in Africa; 15 in Asia-Pacific; and 1 in the Caribbean. Three eligible countries declined to be included in the list (namely Ghana, Papua New Guinea and Zimbabwe). There is an elaborate mechanism, based on a triennial review process, for inclusion and graduation of these countries. Since the inception of the list, only two countries have been able to graduate – Botswana in 1994 and Cape Verde in 2007. Three more are in the pipeline to do so, namely Maldives, Samoa and Equatorial Guinea.

Despite high level declarations, action plans and built-in monitoring mechanisms, the situation in the majority of LDCs has failed to improve and, in some cases, even worsened.

### The New Policy Context

As mentioned above, the development prospects of LDCs are constrained by a set of structural impediments. The LDCs currently host 12% of the world's population, but account for less than 2%

\*The author is the Special Adviser on LDCs to the Secretary General of UNCTAD in Geneva. Any views expressed here are the author's own and do not necessarily reflect those of the Commonwealth Secretariat and UNCTAD.

of global GDP and around 1% and 0.5% of world trade in goods and services, respectively. Indicators such as export concentration or the technology composition of exports from LDCs further illustrate the handicapped situation of this group of countries. High fiscal deficits coupled with unpredictable flows in foreign development assistance often lead to insufficient financing of physical infrastructure and Millennium Development Goals (MDGs) targeted social sector programmes.

Incidentally, the GDP growth rates of the LDCs in the 2000s were higher than the preceding decade, but this trend (as well as their improved export performance) masks the large divergence that exists among these countries. Furthermore, marginal and sporadic improvement of certain discrete indicators (often induced by erratic global commodity prices) hardly generates confidence in their sustainability.

In the recent past, the LDCs have been hit disproportionately by a series of external shocks due to, inter alia, a rise in international food and fuel prices, followed by financial and economic crises in the developed economies. The adverse consequences of climate change are most pronounced in these poor countries. The fallouts of the most recent earthquake in Haiti (and, prior to that, the tsunami in Samoa) poignantly reveal not only the vulnerability of the LDCs, but also the fragility of their scarce achievements.

It is in this changed context, that the development model that is currently being pursued in the LDCs needs to be revisited. Concurrently, the efficacies of the international support measures that have been promised to the LDCs have to be brought under intense scrutiny. The capacity of the state in the LDCs to design, implement and monitor pro-poor policies will also be up for discussion.

As the preparations for UNLDC IV are gearing up at national, regional and global levels, it has become pertinent to think through how the concerned agencies and governments are going to utilize the grand occasion to more effectively address the plights of the LDCs. This is the time to think outside the box and innovatively devise a future course of collaborative actions. Not only does the experience of the decadal conferences implore us to do this, but current post-crisis global and national economic scenarios demand it.

### **Thinking outside the Box**

***What should be the objectives of UNLDC IV? In the midst of a plethora of summits and***

### ***high level international conferences, how will UNLDC IV make its mark?***

The major objective of UNLDC IV should be to refocus the attention of the international development community and global leaders, especially in the current context, to the enduring challenges faced by the LDCs in sustaining growth and development and the need to remove poverty and other forms of human deprivations at an accelerated pace. To that end, national and regional initiatives need to be reassessed and realigned.

To generate fresh perspectives on how the LDCs can come out of this group in a shorter timeframe, there is a need to have a two-pronged approach in a sequenced fashion. The first element of the exercise would entail undertaking a diagnostic exercise to assess the post-2001 performance of the LDCs in the context of the implementation of the Brussels Programme of Actions (BPoA), to examine the relative roles of the development partners in servicing the BPoA and to identify the factors underpinning the outcomes. The second element of the two-pronged approach would be prescriptive in nature by way of articulating a collaborative vision for the LDCs to promote their socio-economic structural transformation leading to accelerated poverty alleviation, human asset development and a reduction in economic vulnerabilities. A word of caution is warranted in this respect - the process through these elements has to abhor pro forma exercises which quite often characterise grand global designs. Indeed, making the envisaged process more participatory and inclusive (particularly at the national level) will be a key challenge.

A focus on “structural change”, if not “structural progress” attained by the LDCs during the last decade (in contrast with the short term behaviour of their key economic variables) seems to be fundamental in the diagnostics. Indeed the concept of structural progress becomes more evident from the vantage point of the three sets of criteria that defines the group of LDCs. While doing so, the analysis will have to take note of the traditional issues (e.g. increasing share in global trade, energy and food security) as well as the “new” issues, such as the global financial crisis and the implications of climate change. One will need to identify explicitly the contributing factors towards achievement (or lack of it) of the BPoA in terms of the adequacy of global and national policies and measures, domestic and exogenous shocks, resource availability and utilisation, and eco-geographical attributes.

### ***Will there be measurable targets (core and intermediate) in various areas?***

### ***Will we have necessary information and data to monitor implementation of these targets?***

The prescriptive side of the envisaged outcomes of the UNLDC IV will possibly be more challenging. One will have to decide on the format of the outcome document. Is the old design of a negotiated work plan the most effective one? Is a 10 year horizon appropriate in a fast changing world?

Most importantly, how should the UNLDC IV outcome be synchronised with other on-going international initiatives, e.g. the MDGs, the WTO Doha trade talks, the Paris Declaration on aid effectiveness, the Monterrey process on development finance, and last but not the least, the global climate discourse? The huge burden of monitoring implementation of all these targets at the national level should not be overlooked.

Whatever the format of the outcome document, it has to accommodate, along with the common structural challenges faced by the LDCs, the growing heterogeneity of the group. Maybe one should avoid an overgeneralised global framework with a long wish-list and make space for contextualized national strategies. One of the additional issues will be how to ensure the balance of responsibilities between the national governments of the international development partners (from both developed and the emerging economies).

### **The Deliverables?**

What will be the major deliverables at the UNLDC IV? At Brussels (2001), the EU's market access offer stylized as Everything But Arms, untying of aid, inclusion of developing countries as development partners were some of the important achievements. On this occasion can we look to the USA to announce its own scheme for duty-free quota-free market access for all products from all LDCs? Maybe there will be specific commitments to simplify Rules of Origin provisions for LDC exports, do away with non-tariff market barriers, and deliver additional and predictable resources for Aid for Trade.

As competitiveness in the global economy is being increasingly defined by the skill and knowledge content of exports, UNLDC IV may consider effective ways and means to improve access to proprietary technologies and know-how by the LDCs. Creation of sectoral vertical funds for the development of physical infrastructure or agriculture could

be another innovative step to create productive capacities in the LDCs.

Maybe a multi-sectoral package, based on multiple instruments, will be drawn up to mitigate the adverse consequences of climate change as well as to encourage "Green Growth".

It is maintained that the absence of dedicated financial provisions has been one of the major impediments towards mainstreaming the BPOA at the country level. Will this be addressed this time? In fact, UNLDC IV will need to revisit the effectiveness of the already pledged international assistance and draw up a menu of "new generation international support measures". One of the important facets of this menu has to be larger contributions from the emerging economies (the non-traditional development partners) in terms of trade preferences, overseas development assistance and technology transfer. As UNLDC IV is going to be hosted by one such non-traditional development partners, it will become incumbent for others such as Brazil, China, India, Mexico and South Africa to also set the standards.

UNLDC IV has to emphasize the prospect of graduation from the LDC group while remaining sensitive to the varying circumstances inherent within the group. However, an incentive package covering a reasonable period (i.e. extending it from three to six years) has to be considered to make the transition of the countries smooth and sustainable.

### **Need to Generate Political Momentum**

It can be very well predicted that if the global leaders are not mobilized to champion the cause of the LDCs during the run-up to the conference, UNLDC IV will remain an "event" without unleashing a "process". So the issue is whether the major figures of the developed world will attend the conference? Will the G20 take up the issues relating to the LDCs as one of its agenda items? Can some of the well recognised faces - say from the world of media, entertainment and sports - work as the lightning rod for the conference? A lot will also depend on the host country in generating the political momentum and public awareness.

However, the defining role in shaping the process and articulating the content of the UNLDC IV is expected to come from the LDCs themselves. The countries would need to put in place at the earliest opportunity a national process that involves the local non-state actors to complement the regional

and global preparatory process. Perhaps a number of LDCs will ultimately come to the conference with their graduation plan which will concretely stipulate what is expected from their international development partners.

Indeed, UNLDC IV should be looked upon as an opportunity to make a difference to the lives of 835 million people (2009) of which about 53% live in extreme poverty (\$1.25 per day).

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For further information or copies, please contact:  
Miss Jo-Ann Sneddon, Economic Affairs Division,  
Commonwealth Secretariat, Pall Mall, London SW1Y 5HX, UK  
Tel: +44 (0) 20 7747 6249 Fax: +44 (0) 20 7747 6235  
Email: [j.sneddon@commonwealth.int](mailto:j.sneddon@commonwealth.int)



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