



Statement

by

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at the public seminar

on

**“Hong Kong and the Least Developed Countries –
Making the international trading
system work for all”**

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Dear participants,

I would like to begin by paying tribute to the commendable and long-standing role of Trocaire “in raising awareness in Ireland and elsewhere of the scale, dimensions and causes of world poverty and in advocating for policies to overcome it”. This is very much appreciated by the United Nations development system, in particular my Office that works for the Least Developed Countries (LDCs). It was a pleasure for me to interact with the representatives of Trocaire when I was in Dublin last month to participate at the Stakeholders Consultations on the Irish development assistance white paper. I welcome this opportunity to present an outline of the issues which are vitally important for the Least Developed Countries as the future course of multilateral trading system is taken up for discussion at the Ministerial Meeting of the World Trade Organization (WTO) in Hong Kong next month.

Of the 148 WTO member States, 32 are LDCs. In addition, ten LDCs are at different stages of the accession process to join the Organization. The 50 LDCs comprise about 12% of the world’s population but their contribution in the world trade hovers around only half a percent. In the total world merchandise trade of \$8.9 trillion in 2004, the share of LDCs was a meager 0.64% -- and it took fourteen years to reach this paltry increase from 0.56%, the percentage for 1990 when the LDCs were fewer in number. The LDCs share is worse for trade in services -- 0.44% in 2004 down from 0.49% in 1990.

Their insignificant share in trade is indeed one of the greatest concerns of the LDCs as that has a serious negative impact on their development efforts. That concern becomes particularly serious as these countries would be way off track in achieving the Millennium Development Goals (MDGs) and in realizing the Commitments of the Brussels Programme of Action for Least Developed Countries for the Decade 2001-2010. A steady improvement of their performance in the area of international trade is vital, as trade is an engine for development and a supportive force for poverty reduction. As the Brussels Programme points out, LDCs have to rely increasingly on trade to generate the

resources to finance growth and development in order to supplement Official Development Assistance (ODA) and private capital flows.

Towards overcoming their own national limitations, the LDCs, under the Brussels Programme, are to establish development-led trade policies conducive to poverty reduction and towards attracting investments which, in turn, would benefit their development efforts. In this regard, I would like to make a special mention of the importance of the implementation of Trade Facilitation Measures for LDCs as the needs for trade and transport facilitation has increased over the years as a consequence of trends in globalized production, change in trade patterns, logistics development, and the spread of new technologies. To help LDCs enhance their efforts in building their capacities, I would very strongly underscore the need for the expansion of the Integrated Framework for Trade-related Technical Assistance for LDCs (IF) to include all 50 LDCs. At the moment, 31 LDCs are covered by the IF and needed resources should be forthcoming to include the remaining.

Supply-side constraints, lack of market access in agriculture and textile products, and increased global competitiveness without a level playing field are seriously hindering the abilities and the efforts to increase the share in the world trade of the most vulnerable countries -- the Least Developed, in particular. The lack of supply capacity in the LDCs has continued to limit the fuller utilization of preferences by the LDCs. The complicated "rules of origin" procedures impose additional constraints. In this respect, the LDCs have called for the provision of bound duty-free and quota-free preferential treatment by developed countries to all products from their countries. This alone, if implemented by the WTO, could generate enormous welfare gains for the LDC.

Additionally, the existing trade barriers – tariff and non-tariff – should be lifted as soon as possible in respect of these particularly disadvantaged countries. The third round of negotiations of the Global System of Trade Preferences among Developing Countries that is expected to be completed by November 2006 is a good opportunity for them. The

development partners – both countries and multilateral institutions -- should effectively assist this process through triangular collaboration.

The upcoming Sixth WTO Ministerial Conference in Hong Kong should give the much-needed boost to the Doha Development Agenda, particularly for the LDCs whose situation deserves special attention. The Meeting of the Ministers of Trade of LDCs in Livingstone last June developed a common platform that, inter alia, called for a binding commitment on duty-free and quota-free market access for all products from LDCs to be granted and implemented immediately. The LDCs also called for an ambitious, expeditious and specific cotton-based decision, particularly for the elimination of domestic support and export subsidies that distort international trade, by no later than the Hong Kong conference. I would emphasize strongly the imperative for urgent decision bearing in mind the fate of millions of cotton growers in the West African LDCs. In the context of the special and differential treatment that is essential for an equitable multilateral trading system, it is encouraging that since the WTO July package, priority has been given to the five outstanding agreement-specific proposals pertaining to the LDCs. A meaningful outcome on those would be a concrete contribution to the achievement of the Millennium Development Goal 8 to create a coherent global partnership for development.

While international measures to enhance the trade of the LDCs and other vulnerable countries have to be vigorously pursued, it is essential to address the problems in these countries that inhibit the expansion of their external trade. Demand and supply side constraints, weak institutional and human capacities, lack of physical infrastructure, and the lack of specialization in their production and exports -- all hinder the chances for LDCs to integrate into the world economy and to fully benefit from liberalization measures. Additionally, for those LDCs, which face the geographical challenges of being landlocked or small islands with inherent high transport costs, vulnerability to natural disasters and environmental constraints add up to the long list of challenges.

Another area that needs serious attention is the widespread economic hardship and uncertainty with deep social consequences faced by the preference-dependent LDCs, as in the case of sugar, bananas and textiles. Highlighting the need for urgent attention to resolving these related issues, in a recent report to the UN General Assembly, the Secretary-General states that “a key objective is to identify solutions that would reflect both the trade and development interests of affected countries.” While staggering the elimination of preferences to allow adjustments in the preference-receiving countries would be one aspect of the solution, we need to give serious attention to the proposal for the creation of an “Aid for Trade” fund. This mechanism would support financial requirements for adjustment challenges arising from preference erosion, textile quota elimination, the commodities problematique, and government revenue losses. Increased international assistance is required particularly to help the most vulnerable countries to overcome supply-side constraints as well as to address these transitional adjustment costs. These measures are also crucial in addressing food and livelihood security as well as the rural development needs for the LDCs.

The Doha Declaration underscores that the accession of LDCs to the WTO remains a priority for its membership. In this light, the accession process for LDCs that are not yet members of the WTO should be facilitated. While WTO membership will enhance the LDCs chances of integrating into the global economy, implementing necessary requirements for WTO accession becomes a very heavy burden for the aspiring LDCs, which have extremely weak human and institutional capacities as well as limited technical know-how and financial resources.

Let me conclude by drawing your attention to the report by the WTO Consultative Board to the Director-General entitled “The future of the WTO” – the so-called Sutherland report - that recommended that new agreements reached in the WTO in future should contain provisions for a contractual right, including the necessary funding arrangements, for the Least Developed Countries to receive adequate technical assistance and capacity-building as they implement new obligations. The issue of facilitating WTO accession by the LDCs becomes even more relevant in this context.

As a closing note, I stress the need for attention and special consideration for the special needs of the Least Developed Countries not only in trade issues, but in all aspects of global development. I wish you well in your deliberations and hope that your gathering will give strong boost to your work in support of the Least Developed Countries.
