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"Responding to Global Crises: New Development Paths"

Presentation

The role of the LDCs in the international trading system

Breakout Session - Is There a Role for the LDCs in Reshaping Global Economic Governance?

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UNCTAD PUBLIC SYMPOSIUM RESPONDING TO GLOBAL CRISES: NEW DEVELOPMENT PATHS

CUTS – UNCTAD JOINT BREAKOUT SESSION

Is There A Role for the LDCs in Re-Shaping Global
Economic Governance?

May 10, 2010, Geneva

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CURRENTLY FOCUS IS ON LDCs

BECAUSE OF:

- UN LDCs IV Istanbul 2011 preparations are in high gear
- MDGs target date of 2015 close yet much to be done
- DDA indefinitely stalled
- Climate change measures negotiations effects on LDCs trade

LDCs RECENT CHALLENGES

- Unsustainable levels of external public debt
- Food Price Crisis
- Energy Prices Crisis
- Global Financial and Economic Crises
- Climate Change

LDCs Most Vulnerable to Crises

- LDCs most adversely affected by external shocks
- LDCs neither cause external shocks nor have defences against them
- Assisting LDCs does not cost international community much and no adverse systemic impact can be expected from them

Food and Energy Crises

- Food Prices Crisis: social tensions & unrest
- Energy Prices Crisis:
 - worsening current a/c
 - dwindling external reserves
 - worsening external indebtedness
 - strain on social programmes

Global Financial and Economic Crises

Brettonwoods Institutions Mistakingly Predicted Minimal Adverse Effect on LDCs: WHY?

- No strong international financial links
- Scanty forward and backward linkages in their economies
- % share of global trade miniscule
- Pursuing prudent (IMF inspired) macro-economic policies therefore resilient

This turned out to be incorrect

5/18/2010

Global Financial & Economic Crises (Cont)

LDCs Economies were actually devastated:

- ❑ External Trade declined
 - trade credit crunch
 - drop in demand for LDCs exports
 - variety of protectionist measures abroad
- ❑ Remittances dropped
- ❑ ODA jeopardised
- ❑ FDI slowed down or declined

5/18/2010 (some experienced disinvestment)

Aftermath of Crises

- Fiscal imbalances
- Destabilised monetary policies
- Relapse into unsustainable levels of external indebtedness
- Suffering social programmes
- Rising unemployment
- Widespread and Deeper poverty

Graduation for most was delayed and most MDGs could miss target date (2015)

Special World Bank and IMF Relief Packages

Brettonwoods Institutions Special Packages for LDCs Relief:

- Not adequate
- Go with tight conditionalities & so not easily accessible

Climate Change Measures Negotiations

Most of the proposals on the table will constrain LDCs development of production and trade and thus will further delay socio – economic development unless assistance is increased

TRADE

- DDA is stalled
- Special and Differential Treatment (S & D) Sought by LDCs not materialising:
 - DFQF MA
 - ROOs
 - NTBs
 - Preferences (delayed Preference Erosion)
 - Services waiver
 - Trade Facilitation

Trade: Early Harvest

Hence LDCs calling for early harvest

DDA will not be gainful to LDCs without S & D
treatment sought

Addressing Constraints: Trade

- Aid for Trade (AFT)
- Enhanced Integrated Framework for LDCs (EIF)

EIF

- EIF successor of IF (1997)
- EIF assists in :
 - mainstreaming of trade in national economic policy
 - integrating trade into multilateral trading system
- EIF launched in July 2009
- EIF fully operational since April 2010

EIF (Cont)

- EIF a launching mechanism for effectively accessing AFT for LDCs
- EIF meant to be:
 - providing more and predictable resources
 - improved governance
 - having rigorous M&E
- Focus is on results

Productive Capacities

- To trade LDCs need to produce
- To produce productive capacities have to be developed
- Need for UNIDO's CCC
(Compete Comply Connect)

SHOULD LDCs HAVE A SAY?

Of course!

- They represent a large percentage of humanity
- They can make valuable contribution in the debate on issues and formulation of strategies

“It is the wearer who knows where the shoe pinches”

Do LDCs Have A Say?

- Little or no say in the World Bank and IMF (Voice tight to **Economic Might**)
- Comparatively stronger say in WTO (Voice based on **membership**)
- Have a strong say in EIF (LDCs **participate** in the **Board**)
Activities in each LDC determined by that LDC concerned

Do LDCs Have A Say? (Cont)

- No say in G – 7 and G – 8
- No say in G – 20
- All exclusive highly influential clubs
- Question mark on transparency
- OHRLLS and an LDCs representative should perhaps participate in these fora

WTO

- LDCs consultative group exists
- In DDA LDCs are guided by the Maseru and Dar Es Salaam ministerial declarations
- LDCs also pushing for adherence to the GC decision of LDCs Accession to WTO
(i.e. expediting their accession with less demands on them)

What LDCs May Need

- Stronger and more dependable technical back-up
- Secretariat (already subject of discussion)
- Website (already subject of discussion)
- Improved lobbying strategies and activities

Intensification of Current Back-up

- UNCTAD
- South Centre
- ICTSD
- AITIC
- CUTS
- Commonwealth
- etc

Brettonwoods Institutions

- LDCs should form consultative/pressure group at the World Bank & IMF
- Have own Secretariat in Washington DC
- Acquire technical back-up on World Bank & IMF LDCs related issues
- Develop own website on World Bank & IMF LDCs related issues
- Devise effective lobbying strategies

Reform World Bank and IMF to accommodate LDCs
Voice (*seek LDCs seat on their Boards*)

Assistance

- Training in negotiations
- Support of more staff in Missions
e.g. enlarge Missions internships
- Conduct of relevant studies
- Support of LDCs Secretariat at
 - WTO
 - World Bank and IMF
 - Institutions dealing with climate change negotiations

ORGANISATION OF NEGOTIATIONS PER COUNTY

For effectiveness in Negotiations there is need
for:

- Research
- Organisation into:
 - Back office
 - Middle office
 - Front office

Some LDCs may already be doing this but not
all.