

International Meeting to Review the Implementation of
the Programme of Action for the Sustainable Development
of Small Island Developing States

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Mr. Chairman,
Honourable Heads of States and Governments,
Honourable Ministers,
Ladies and gentlemen,

It has been 30 years since UNCTAD began dealing with the problems of small island developing States. Indeed, our organization was a pioneer in bringing to the attention of the international community the particular problems of these countries, which in those days used to be referred to as "island developing countries", without the criterion of country size. UNCTAD's advocacy work was substantiated by numerous expert reports and was echoed by several General Assembly resolutions. These resolutions encouraged the development partners of SIDS to translate their recognition of the problems of these countries into concrete international support measures

Since 1994, UNCTAD has been actively involved in system-wide support to the Barbados Programme of Action. This has materialized through direct support to SIDS, as a group, research and analysis on SIDS-related issues, and technical cooperation in a range of areas, from country-specific studies of economic vulnerability to trade and investment-related policy. Mr. Chairman, I will not go into details of the

range of UNCTAD activities in favour of SIDS, but would like to stress one particular area of action to which we have attached great importance over the last seven or eight years. This is an area that has now been brought back to the forefront, due to recent tragic circumstances. I am referring to our support of the periodic review of the list of LDCs and specifically, one aspect of this area that is entirely relevant to SIDS, namely, the question of graduation from LDC status.

By a strange irony of fate, the fragile economy of Maldives was struck by the tsunami disaster a week after the General Assembly had passed a resolution endorsing ECOSOC's recommendation that Cape Verde and Maldives be graduated from LDC status after a 3-year transition period. Since 2000, UNCTAD has consistently warned relevant UN bodies about the great economic vulnerability of these two countries and their continued need for concessionary treatment.

The number of reported casualties from recent tragic events is much lower in Maldives than in other countries of the region. However, Maldives suffered the hardest blow in proportion to its size and narrow economic base causing a major setback in its development. Maldivian authorities, with whom we have been in contact with, report that their hotel infrastructure has been seriously damaged. Moreover, most locally populated atoll islands have also been flooded and sea water has destroyed the few existing crops. As a result, islanders have tried to migrate to the capital island, thereby exacerbating the serious population density problem that the island has had to cope with for years, while a third of that island itself was flooded.

The setback to Maldives' capacity to develop beyond LDC status is very serious and reminds us of the fate Grenada had to face earlier in 2004. The impact of the tsunami makes the need for a special treatment of Maldives still necessary beyond the envisaged graduation period.

Mr. Chairman, this unexpectedly dramatic context gives the international community an opportunity to revisit the conditions governing the graduation process, so as to enable the countries concerned to meet the challenges arising from a change of status. Any such initiative towards a smooth transition should involve special support measures to enable a few highly vulnerable countries to meet the challenges arising from graduation. In other words, we should endeavour to create sound incentives for graduation through creative thinking, as well as greater solidarity from development partners with the weakest.

I take this opportunity to acknowledge the particular historical effort that has been made by one international institution, namely, the World Bank, in adopting an island-specific measure in its concessionary policy. Since 1985, the Bank has had a "small island exception" that allowed several SIDS to retain their eligibility for IDA treatment although these countries had risen above the low-income threshold. To the best of our knowledge, the "small island exception" of the World Bank has been the only special international support measure granted by a multilateral organization on grounds of "small-islandness".

This acknowledgement leads me to underline one of the most salient features of the context surrounding this Barbados + 10 review. There has been a major historical contrast between, on the one hand, the generosity demonstrated by the international community in recognizing

the particular problems of SIDS, and on the other hand, the scant translation of this generosity into concrete modalities of special treatment, with the only exception, of the "small island exception" made by the World Bank.

Yet, Mr. Chairman, looking back at the past decade of SIDS advocacy in the multilateral arena, you will remember the insistence and patience with which many SIDS have underlined what we in UNCTAD call the "island paradox". The island paradox is a peculiar phenomenon whereby SIDS tend to be regarded as relatively prosperous, although, as we know, they are among the most vulnerable countries in the world, and accordingly, among countries most in need of special measures. As indicated by the Economic Vulnerability Index of the UN, SIDS are economically more vulnerable than other developing countries by 34%.

Moreover, as indicated by a recent study of business-related costs conducted by the Commonwealth Secretariat and UNCTAD, SIDS incur much higher costs than larger States. This is a determining factor of the reluctance of potential investors to invest in these countries. It is precisely because of this major cost disadvantage that several SIDS have been vitally dependent on market access preferences for agricultural or industrial exports: preferences for these countries have acted as compensatory measures without which the intrinsic competitive handicap of islands would have seriously hindered socio-economic progress. In the context of preference erosion, the cost handicap re-emerges as a haunting marginalization factor, a threat likely to be exacerbated by any decline in aid levels.

The marginalization of SIDS is a measurable fact: their share of global trade diminished by half over the last two decades, from 0.4% of world merchandise exports in 1980 to 0.2% in 2000. Finding alternative compensatory measures to offset the evident cost disadvantage of island economies is of paramount importance to the livelihood of these countries. This is unlikely to imply any major sacrifice on the part of large development or trading partners, and we believe there is now a moral duty to call for a number of systemic changes in relevant multilateral arenas so as to provide broad-based support for SIDS.

Mr. Chairman, we in UNCTAD consider the following three particular objectives to be of critical importance to SIDS: (i) first, there is an essential request by SIDS members of the World Trade Organization: it aims at recognizing the need for special measures to alleviate the negative impact of the erosion of preferences, and to ensure that the incentive to invest in an island economy will be effectively promoted; (ii) secondly, in the sphere of development financing, SIDS call for development partners to promote investment-related financial incentives to prevent potential investors from shying away from islands; (iii) thirdly, the application of the graduation rule affecting countries that meet criteria for graduating from LDC status should give due recognition to the objective of ensuring a smooth transition towards a change of status.

Mr. Chairman, may I remind the distinguished delegates to this conference that we, in UNCTAD, have always considered coherence and clarity in the definition of a category of countries a necessary condition for any success toward a special treatment of these countries.

Mr. Chairman, UNCTAD will honour its commitment to continue to militate in favour of a fair differentiation in the special treatment of developing countries, a differentiation that will do justice to SIDS as much as it does justice to land-locked developing countries and the Least Developed Countries, two other special categories with which we have a long history of cooperation and mutual support.

On the SIDS front, our priority will be threefold: (i) first, we will pursue our conceptual, methodological and statistical work to enhance the credibility of the SIDS denomination; (ii) secondly, we will continue our work of research and analysis on SIDS-related issues, a line of action that will culminate into a new publication on SIDS before the Millennium + 5 summit later this year; and (iii) thirdly, we shall carry out further technical cooperation activities in favour of SIDS. In this regard, I would like to underline the relevance to SIDS of the joint Capacity-Building Task Force of UNCTAD and UNEP to assist developing countries in achieving effective participation in trade and environment negotiations, and in strengthening national and regional capacities to deal with trade and sustainable development issues, particularly with regard to the scope for organic exports. This, by the way, will be the subject of a side event tomorrow, after the plenary panel on trade and economic development, which we will also organize.

I thank you for your attention.