

**STATEMENT BY OHRLLS**

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Statement  
By

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and Small Island Developing States

at the General Debate

of UNCTAD XI

São Paulo, Brazil  
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Mr. Chairman,  
Distinguished Delegates,  
Ladies and Gentleman,

I would like to start by thanking wholeheartedly the Government and the people of Brazil for their hospitality in hosting this Conference.

Let me also take this opportunity to convey my deepest appreciation to Mr. Rubens Ricupero, UNCTAD Secretary-General and his staff for their excellent work in preparing this Conference, and in particular for the important contribution the UNCTAD LDC Report for 2004 has made to the better understanding of how international trade can become a more effective mechanism for poverty reduction in the LDCs.

It has been an honour and pleasure for me to participate at this gathering in my capacity as the High Representative of the United Nations working for the three most vulnerable groups of countries of the world - the Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDS).

Mr. Chairman,

UNCTAD XI is a milestone, not only for UNCTAD, but for the Group of 77 as well, as we also celebrate the 40<sup>th</sup> anniversary of the creation of the Group of 77, which now embraces 132 members, including 50 LDCs.

Over the years, the G77 has never failed to support the cause of the LDCs in various negotiating fora, and in particular, it has provided the LDCs with the umbrella support of the bigger group in their struggle to get the much-needed attention and commitment by the international community at the three UN Conferences dedicated to the LDCs.

Despite professed attention of the international community during the past years, the fifty most vulnerable countries of the world continue to be marginalized in the global development process.

While the global volume of official development assistance to all developing countries has jumped to \$68 billion last year from \$52 billion in 2001, the LDC-specific agreed target, which is 0.20 per cent of the industrial countries' GNP as ODA to LDCs, has not yet been reached for most of the donors. And while international trade can have a powerful role in poverty reduction in the LDCs, their capacity to benefit from it remains very weak.

The share of LDCs in world trade at present barely accounts for 0.4 percent of world trade. For most LDCs, the primary sector dominates the economy and in commodity-dependent LDCs, particularly in Africa, the ability of benefiting from a liberalized international trade regime is especially being short-circuited by falling and unstable world commodity prices.

Thus, the LDCs' efforts towards the establishment of a fairer playing field for international trade in agricultural products are of the utmost importance.

In Cancún, the LDCs and the African agenda had the removal of huge subsidies that distort agricultural production and export at their core. The "Cotton Initiative" was a milestone effort on the part of four very active members of your group. Cotton is one of the world's most heavily subsidized crops, especially in the USA and European Union. Cotton figures as a significant export item for at least 20 of the 50 nations designated as least developed countries by the United Nations. Most of these 20 countries - where life expectancy averages about 50 years, and most of the population is living on \$1 a day or less - are in western and central Africa. An effective and specific solution within the WTO negotiations, aimed at the elimination of all forms of export subsidies in this very sensitive productive sector, is thus very urgently needed.

As for market access, in recent years the LDCs benefit from several arrangements by industrial countries providing their exports with duty free treatment. The EBA scheme of the EU, the AGOA of the United States and special tariff treatment from Canada, Japan, Switzerland, Australia, and New Zealand are well known. While there are strong indications that some African LDCs are significantly benefiting from the AGOA or the EBA treatment, in terms of induced domestic investments and FDIs, in most cases, the majority of LDCs have not been able to fully benefit from available trade preferences. The rate of utilization of preferential schemes remains very low. Among many factors explaining such low rate of utilization, supply capacity constraints, lack of investment and the stringency of the rules of origin attached to such schemes are the most prominent.

In the context of both WTO trade negotiations and the implementation of the preferential market access schemes, UNCTAD has a great role to play in strengthening its programmes of trade-related technical assistance aimed at building the capacity in LDCs to effectively participate in the global negotiating rounds and to benefit from preferential trade arrangements.

Enhanced South-South cooperation has the potential of playing a significant role in promoting sustained growth and sustainable development for LDCs. In an increasingly globalized and interdependent world, we can in fact already talk of a "new geography of trade". After all, only 42 per cent of LDC exports enter industrial country markets, while nearly 50 per cent is directed to other developing countries.

More advanced developing countries should consider expansion of their non-reciprocal preferential system for imports from LDCs.

In this context I very much welcome the launching, by the Argentine and Brazilian ministers yesterday of the third round of negotiations to expand the Global System of Trade Preferences - an agreement on tariff reduction and trade liberalization among 44 developing countries. At least 40 more countries will participate in this new round. This is a wonderful opportunity for revitalizing this instrument of South-South collaboration in a manner that reflects the differentiated responsibilities of developing countries and their levels of development. I would thus urge the LDCs to take a very active role in these negotiations in order to avoid marginalization in the South-South trade.

Another area that I would like to underscore here and where I have called the attention of the LDCs is the forthcoming phase-out of the 30-year old Multi-Fibre Arrangement (MFA). This development could have profound implications. The removal of MFA quotas will certainly imply changes in the location of the industry, with more direct competition to supply the world markets, and concentration of the industry in a

smaller number of low cost locations. The relative competitiveness of LDCs, combined with the continued preferential market access enjoyed by these countries from the QUAD and other developed countries, will determine the extent to which LDCs are prepared to take advantage of the removal of MFA next year. I would therefore strongly urge policy-makers in LDCs to anticipate these changes linked to the MFA phase-out and design appropriate strategies to attract investments in the textile and garment industries, including through expanded South-South cooperation arrangements with special attention to LDCs.

Let me conclude my remarks by bringing to your attention that the specific development concerns and needs of the LDCs, as embodied in the Brussels Programme of Action, will be at the center of the international community's attention at the forthcoming High-Level Segment of the United Nations Economic and Social Council from 28 to 30 June. The discussions will focus on the theme "Resources Mobilization and Enabling Environment for Poverty Eradication in the Context of the Implementation of the Programme of Action for the Least Developed Countries for the Decade 2001-2010". The report on this theme will be presented by Secretary-General Kofi Annan with the participation of the LDC group's leader President Kerekou of Benin.

As we approach the 2005 stock-taking of progress towards the Millennium Development Goals, it is even more urgent for the international community to focus on the enormous development challenges facing the 50 LDCs. Today, the population of these countries stands at 736 million people, more than 11 per cent of the world population. By 2015, it is projected to reach 942 million people. This means that between now and 2015, when the Millennium Development Goals are expected to be met, there will be 206 million people more living in the LDCs and this makes our challenge even more daunting.

Finally, let me take this opportunity to stress the importance of giving the deserved recognition to the special treatment for the Landlocked Developing Countries and the Small Island Developing States. The Almaty Programme of Action, adopted by the international community in August 2003, recognized that the main reason for the marginalization of landlocked developing countries from the international trading system is high trade transaction costs caused by geographical handicap of landlockedness and remoteness from major world markets. International trade features also prominently as one of the issues in the preparatory leading to the International Meeting for the 10-year review of the Barbados Programme of Action for the Small Island Developing States, which will take place in Mauritius in January 2005.

I would like to conclude by sharing my conviction that the resulting document of UNCTAD XI, that will be formally adopted tomorrow, will realize progress for dealing more effectively with the complex link between trade and development for the benefit of these most vulnerable countries of the world.

I thank you for your attention