

WTO Public Forum 2012
Session 8 of Sub-theme 1
“Formulating New Approaches to Multilateral Trade Opening”

LDCs at the crossroads: statu quo or sustainable development?

Organised by *LDC IV Monitor* and *IDEAS Centre*
1400-1600 hrs; Monday, 24 September 2012; Room SC2

Concept Note

Introduction

The economies of LDCs have been steadily improving until the global economic meltdown in 2008, and are currently on the path of a faltering recovery. The growth is still being generated mainly by exports of raw materials and semi-processed products to the markets of developed and/or major emerging economies. The new investments are predominantly targeting LDCs’ natural resources, and are creating jobs and value added only in the short-term. Opportunities for export of services by the LDCs continue to remain very limited. Accordingly, the revealed growth in these countries has done little to create sustainable employment opportunities and add value to the products exported, or to help find new markets. In an increasingly volatile economic environment, coupled with stalled delivery of the WTO’s Doha Development Agenda, *diversification* and *flexibility* of the LDC economies have become a critical necessity. This need has been accentuated by the emerging shifts in trade and investment flows and their changing institutional arrangements. Thus, the LDCs are facing a serious dilemma about the prospect of structural transformation of their economy. One of the important questions in this regard is the following. How to make a decisive step forward which would include increasing the opportunities for exports of goods and services and creating an economic framework which would be conducive for investments and trade expansion.

Format of the Session

In the evolving global context, a plethora of challenges facing the LDCs. Among these challenges, the proposed session will concentrate on the following two key areas where policymakers and policy analysts are expected to come up with novel and creative ideas and reflections.

- i. Diversification of export base and opening up of new export markets*
- ii. Creating a predictable and transparent economic framework*

The session will try to address these two specific challenges within a broad analytical framework and provide some forward looking perspectives. Recognising that the challenges faced by LDCs are manifold and taking note of the time available for the session (2 hours only), the organisers of the event agreed to keep the discussion limited to the issues mentioned above.

The session will open with brief introduction from the chair(s) followed by focused statements from the panelists. Then there will be interactive exchanges based on moderated floor interventions. The chair(s) of the session may do a summing up at the end.

The organisers see this session as a first step in a continuum of dialogues on the issues of concern to development interests of LDC economies.

Scope of the Session

i. Diversification of export base and opening up of new export markets

LDCs are coming into the world market at the relatively late stage. The markets are already covered by traditional exporters from mostly OECD countries. On the other hand, the emerging of global value chains have opened up possibilities particularly for the small manufacturing units that did not exist beforehand. Through improved exchange of goods and with increased use of internet, the global market place has become more accessible even to the low-income economies. In that context, the LDCs have to design approaches to create new values, build new capacities, access new markets, particularly through South-South trade and regional integration.

To this end, products to be exported need to be diversified and need to include more added value from domestic LDC industries. Industrial, agricultural and services policies need to be revisited and implemented featuring a departure from entrenched methods, and be based on LDC country's individual potentials and comparative advantages.

Regional and plurilateral agreements should be more effectively pursued in order to be able to advance exports of LDCs products and services. Economic partnerships with emerging economies should be fostered and their experience used in creating an economic structure based on a wider and competitive export base with a more diversified market outreach.

ii. Creating a predictable and transparent economic framework

A key pre-requisite for diversification of export base and opening up of new markets relates to putting in place a predictable and transparent economic framework which would fully utilise best practices in attracting investments, particularly for trade diversification. WTO accession is a potential mechanism to promote domestic reforms geared towards creating such an economic framework. As much as this outside pressure is welcome, it should not be used to impose measures and reforms on a one-size-fits-all approach. Accessions should be used to harmonise development goals of LDCs with the necessity to liberalise their economies. The results of benchmark negotiations are going in the direction of individualising the accession commitments and making them more commensurate with development goals of acceding LDCs.

On the other hand, LDCs that are already Members of WTO should be able to use better the existing TPR mechanism to garner broader domestic support for reforms which would promote trade potential of nascent industries. This mechanism, while requiring huge

resources and efforts on the part of the governments, often produce no results in the manner of follow-up work or needed policy shifts.

International trade negotiations including the Doha Round offer an opportunity for the LDCs to rethink their policies and measures and to embark on making reforms in accordance with national development objectives by adjusting them to emerging trends and best practices. Indeed, it is time that the perspectives reflecting the *offensive* interests of the LDCs get embedded in the work programmes of the WTO.

Chair(s) and Panelists of the Session

Chair(s): Debapriya Bhattacharya (LDC IV Monitor)/Josip Pervan (IDEAS Centre)

Panelists:

(A) Diversification of export base and opening up of new export markets

- i. Vinaye Ancharaz (ICTSD)
- ii. Jaime de Melo (FERDI)

(B) Creating a predictable and transparent economic framework

- i. Nicolas Imboden (IDEAS Centre)
- ii. Mustafizur Rahman (CPD)