

LDC 4th UN Conference in Istanbul

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On 7th May, Bangladesh Prime Minister Sheikh Hasina left for Turkey to attend the UN fourth conference on the Least-Developed Countries (LDC) in Istanbul (Turkey) from 9th for two days. She addressed the conference on 10th May.

The UN Conference on LDC is held every 10 years with the first held in 1981.

Number of Least-Developed Countries:

A country must satisfy all three criteria to be included in the category. In 1971, 25 countries were included in the category. Bangladesh was admitted in the LDC group in 1975.

The idea was that through aid and support of both affluent countries and the UN, the list of countries would be diminished. But in fact, the opposite has happened.

In 1971, in South Asia, only Bhutan, Nepal and Afghanistan were listed but now Bangladesh and Maldives are added. Myanmar has also now joined as LDC.

In 1990, 42 countries were included in this category and now there are 49 countries. The statistics means the weak and poor countries are become poorer day by day.

Out of 49 countries, 33 are in Africa, 15 in Asia and Pacific and 1 in the Caribbean. Two graduated from the category: Botswana and Cape Verde. There are 16 land-locked and 12 small Island countries.

Economy of LDCs:

It has been seen developed countries tend to corner LDC negotiators in “corridor chats” and offer both promises and threats about aid and investment which many LDCs are ill equipped to fend off. It is psychologically very difficult to oppose those who are giving money—the dynamic is that of bribery.

Resource –flow from donor countries to LDCs is very poor. Their commitment is weak. They are expected to provide them aid 0.15—0.2% of their Gross National Income but only 0.09% is given.

The combined GDP of the LDCs was \$550 billion as of 2008, which was less than 1.0% of the world GDP and their share is 1% per cent of the global trade and share of Foreign Direct Investment (FDI) is only 0.7% of global FDI.

Only 12 of the 29 LDC World Trade Organisation (WTO) members have offices in Geneva. WTO has approximately 50 meetings per week, which are well beyond the capacity of most developing countries to participate.

Dhaka Dialogue:

A three-day international dialogue took place in Dhaka on 24th November 2010 to highlight the challenges facing the poorer nations in the run up to a key United Nations conference on the LDCs in Turkey.

The Dhaka Dialogue focused on five thematic issues, namely, (a) enhancing trade, (b) promoting investment, (c) access to technology, (d) official development assistance for productive capacity development and (e) domestic institutional and policy reforms.

On the opening day, Finance Minister A.M. A. Muhith came up with an innovative idea of a new category of countries. He described the category as “the geographically and ecologically vulnerable countries” which would confront difficulty for variety of reasons including global climate change.

He also included land-locked countries and coastal countries in the category. Coastal countries and small-island nations confront the biggest challenge from global climate change. For example, if areas of Bangladesh are submerged under the sea, 25-30 million people will be displaced and where they will go?

He told of single overarching strategy at the UN conference and that would be resource-flow to LDCs at 0.2% of GNI of aid giving countries.

The dialogue ended with a call for more active role of development partners. A few recommended strategies for the UN conference are described below:

- The term “world’s weakest economies” be redefined in the light of the post-global economic and financial crisis
- To design a new strategy to come out of the category of LDCs
- To look for new opportunities within the environment of rapidly changing global economic order
- To place four demands of LDCs—food security, climate change security through adaptation fund, access to foreign markets and foreign direct investments.
- To urge early conclusion of WTO Doha Round of Trade Negotiations
- To redefine the rule of origin
- To underscore the need of capacity-building
- To get access to sector-wise technology
- To urge for flexibility in intellectual property rights

Bangladesh’s strategy:

Bangladesh should come out of the category of LDCs. Out of the three criteria, two must be satisfied before the country can come out of the trap.

It is noted that Bangladesh has met one criterion, that is economic vulnerability index. Another criterion must be met. It could be either income or human capital index.

It has been suggested that Bangladesh may concentrate on improving human capital index instead of income index. Experts say that the year 2027 is the earliest by which Bangladesh can meet the human asset index by sustaining economic growth momentum and reducing the population growth together with substantive improvement of under nourished share of the population, mortality rate (maternal and child), literacy rate and secondary school enrolment (not primary). Another view is that Bangladesh can out of the LDC trap by 2030.

Should Bangladesh be as LDC ?

Bangladesh is a member of the Least-Developed Countries since 1975. Ordinarily, a country whose population is more than 20 million people is not classified as a Least-Developed country.

Bangladesh had to argue robustly to be classified as a Least-Developed country because it had 75 million people by 1975. The members of the UN Committee for Development Planning (CDP) were reluctant to make Bangladesh a LDC. (Under existing UN rules, no country over 75 million people can be listed as LDC)..

The then Deputy Chairman Planning Commission (1972-75), and noted economist, Prof. Nurul Islam and a member of the UN CDP, in his book “Making of a Nation” (2003: UPL) writes how Bangladesh joined the LDCs Club:

“ After a long discussion, the opposition group gave up and agreed to include Bangladesh¹ I was able to win the argument single handedly, primarily because I was a dealing with a group of highly sophisticated independent professional economists with no agenda and no political interests... it was an established tradition of CDP that decisions were taken by consensus... since there was no consensus the committee had to accept my argument and agree to include Bangladesh” (Prof Islam left the UN CDP when he joined FAO in mid-1977).

He further writes that : “ It was a sheer accident that due to my persistence and the Committee’s tradition of decision by consensus, Bangladesh became a Least-Developed country.”

Prof. Islam, in retrospect, was not sure whether he did the right thing for Bangladesh in getting the country classified as a LDC.

He writes: “ In wonder whether this status has not aggravated the propensity of Bangladesh to engage in aggressive pursuit of special treatment in external economic relations and foreign assistance. In other words, Bangladesh believes---and it has coloured all her external negotiations—that as a poor country she not only has a claim on the generosity and charity of donors, but as the poorest of them, has in fact a prior claim”

Prof. Islam has questioned whether dependence syndrome on donors because of poverty is consistent with a proud nation. Did it encourage a certain amount of complacency about national shortcomings? Did such a frame of mind detract from various domestic efforts to improve economic performance and was it a detriment to progress?

Two countries- Ghana and Zimbabwe--were invited to join the LDCs club by the UN CDP but they refused. The UN cannot compel a nation to accept such a status. Some view that since the UN CDP classifies a country as LDC, it has no option but to join. This view is not correct.

The concessions that the LDCs receive in terms of development assistance are the same as those of low-income countries, i.e. very long term interest bearing loans.

The only benefit LDCs get from WTO is the delayed implementation of the rules by a few years more than others. Another benefit is the duty free export of ready made garments to Europe but given the fact of only 30% value is added in Bangladesh to the ready made garments, the amount of dollars shown by the garment industry as export earning is to be evaluated in the context that all other materials are imported with foreign exchange. The net earnings in dollars may not be that huge as it seems.

The question boils down to the fact whether these benefits are sufficient to justify a country with the poorest group of the UN, where most countries belong to Africa, Caribbean and Pacific region. Does it not go against the pride of people of Bangladesh to be in the LDC since Sri Lanka and Pakistan do not belong to this status of LDCs.

Our businesspeople are enterprising, innovative and imaginative. Surely they can keep our economy going strong and vibrant without being the country within LDC group.

After almost 40 years of independence, the issue must be debated objectively by stakeholders including think-tanks as to whether Bangladesh should continue to be a member of the LDCs as a self-respecting nation.