

1

Introduction

It is widely presumed and perhaps accepted that countries in overlapping groups of least-developed countries (LDCs), landlocked developing countries (LLDCs), small island developing states (SIDS) and small vulnerable states (SVS) face special problems and challenges in a world economy that is increasingly integrated in trade of goods and services, technology, finance and movement of people and ideas. The United Nations Office of the High Representative for the LDCs, LLDCs and SIDS (UN-OHRLLS) was established by the UN General Assembly in 2001. It lists 49 countries as LDCs and provides data on them¹ (www.un.org/special-rep/ohrlls/ldc/list.htm, accessed 28 July 2008). Table 1.1, below, gives the composition of LDCs, LLDCs and SIDS along with their overlap. Although the UN-OHRLLS does not list SVS, their composition can be put together from the communiqué of the ministerial meeting in 2005 of small vulnerable economies (SVEs) that are members of the WTO (WT/MIN105/22). There are 24; surprisingly, none of them are in the list of LDCs compiled by the UN-OHRLLS.

Around 2005, the countries in each of these groups varied enormously in terms of the size of their populations, levels of their gross national income (GNI) per capita in nominal and purchasing power parity (PPP) exchange rates, growth rates of GNI per capita, and their integration with the world economy (Tables 1.2, 1.3, 1.4 and 1.5). For example, other than (objectively speaking) all of them being landlocked (or islands), the LLDCs (or SIDS) are so heterogeneous in other characteristics, some of which are subjective, that one might legitimately raise the issue whether they constitute meaningful groups for analytical purposes and for policy formulation. The criteria for admission to or graduation from the group of LDCs also raise analytical issues, which are discussed in Sections 3.1 and 3.2.

1. Prior to April 15, 2008 there were 50 LDCs. In 2007, Cape Verde graduated from being an LDC. The graduation of Samoa was due to be decided in 2008.

Table 1.1
Composition of LDCs, LLDCs and SIDS

<i>Geographical Region</i>	<i>LDCs</i>	<i>LLDCs</i>	<i>UN Membership</i>	<i>SIDS</i>
I. Africa	33	15	I. UN members	37
of which LLDCs	12	12	of which LDCs	11
SIDS	3	-	Small vulnerable states	16
II. Asia	15	10	II. Non-UN members	14
of which LLDCs	3	3	of which LDCs	0
SIDS	7	-	Small vulnerable states	0
III. Latin America & The Caribbean	1	2	TOTAL	51
of which LLDCs	0	0	of which LDCs	11
SIDS	1	-	SIDS	-
TOTAL	49	27	Small vulnerable states	16
of which LLDCs	15	15		
SIDS	11	-		
SVS	0	0		

Sources: (i) LDCs www.unohrrls.org/en/lcd/related/62 [accessed 28 July 2008]

(ii) SIDS www.unohrrls.org/en/sids/44/ [accessed 30 July 2008]

(iii) LLDCs www.unohrrls.org/en/lldc/39/ [accessed 30 July 2008]

The notable feature of the data in Tables 1.2-1.5 is the obvious diversity among LDCs around 2005: their populations vary from 100,000 in Kiribati to 156 million in Bangladesh, and their gross national income per capita at PPP exchange rates vary from \$260 in Liberia to \$8,510² in Equatorial Guinea. Their integration into world trade is very modest (on average) and except for natural resource-based economies, integration in world investment flows is modest as well. These features are important for analysing the feasibility of these countries' further integration with the world economy, and the potential contribution the rest of the world could make for ameliorating their special problems, meeting their particular challenges and reducing their vulnerability.

Table 1.1 shows that 33 out of 49 LDCs and 15 out of 27 LLDCs (though only 5 out of 37 SIDS who are members of the UN) happen to be in Africa, including islands off its coast. This fact raises the causal question of whether the particular problems of LDCs and LLDCs are largely due to their African location or is it the other way around, so that some, if not most, of the development problems of African countries arise from many

2. Data from: www.unohrrls.org/EN/SIDS/WW/

of them being LDCs and/or LLDCs. Unfortunately most of the empirical analyses based on cross-country regressions reported in the literature are described at best as analyses of association or correlation, rather than of causation, and therefore, do not establish or reject one or both these causal mechanisms. In his well-received best seller Paul Collier (2007: 99) argues that “a group of countries with nearly a billion people have been caught in one or other of four traps: conflict trap, the natural resource trap, trap of being landlocked with bad neighbours and the trap of bad governance...From time-to-time they have broken free of the traps, but the global economy is now making it harder for them to follow the path taken by the more successful majority. As a result, even when free of traps they sit in limbo, growing so slowly that they risk falling back into the traps before they reach a level of income that ensures safety.” Collier does try to use econometric techniques for addressing the issue of two-way causation. Without delving deep into his analysis, it could be argued that of some of the ‘traps’, such as the natural resource trap, are not inevitable as a trap, but depend on the policy response to resource availability. Since some of the characteristics of LLDCs or SIDS are often claimed to be in the nature of traps, the relevance of Collier’s analysis for them is evident.

Table 1.2
Least-Developed Countries

		<i>Country</i>	<i>Value</i>
Population (2006, in millions)	Min.	Kiribati	0.1
	Max.	Bangladesh	156
GNI per capita (2006)	Min.	Burundi	100
	Max.	Equatorial Guinea	8,510
PPP GNI per capita (2006)	Min.	Liberia	260
	Max.	Equatorial Guinea	16,620
Growth GDP per cap. (2005-06)	Min.	Equatorial Guinea	-7.8
	Max.	Maldives	21.5
Trade: merchandise (2006, as % of GDP)	Min.	Central Afr Rep	24.1
	Max.	Lesotho	144.5
Trade: services (2006, as % of GDP)	Min.	Bangladesh	5.9
	Max.	Gambia	36.4
FDI: net inflow (2006, as % of GDP)	Min.	Liberia	-13
	Max.	Equatorial Guinea	19.3
FDI: net outflow (2006, as % of GDP)	Min.	Guinea-Bissau	-2.8
	Max.	Angola	0.4

Table 1.3
Small Vulnerable Economies

		Country	Value
Population (2006, in millions)	Min.	St Kitts and Nevis	0.048
	Max.	Guatemala	13
GNI per capita (2006)	Min.	Solomon Islands	690
	Max.	Trinidad & Tobago	12,500
PPP GNI per capita (2006)	Min.	Papua New Guinea	1,630
	Max.	Trinidad & Tobago	16,800
Growth GDP per cap. (2005-2006)	Min.	Grenada	-0.8
	Max.	Trinidad & Tobago	11.6
Trade: merchandise (2006, as % of GDP)	Min.	Guatemala	50.8
	Max.	Guyana	166
Trade: services (2006, as % of GDP)	Min.	Guatemala	8.7
	Max.	Mauritius	47.2
FDI: net inflow (2006, as % of GDP)	Min.	Papua New Guinea	0.6
	Max.	St Kitts and Nevis	42.3
FDI: net outflow (2006, as % of GDP)	Min.	Trinidad & Tobago	-2.3
	Max.	Jamaica	0.9

Table 1.4
Landlocked Developing Countries

		Country	Value
Population (2006, in millions)	Min.	Montenegro	0.601
	Max.	Ethiopia	77
GNI per capita (2006)	Min.	Burundi	100
	Max.	Botswana	5,570
PPP GNI per capita (2006)	Min.	Zimbabwe	170
	Max.	Botswana	11,730
Growth GDP per cap. (2005-2006)	Min.	Zimbabwe	-6
	Max.	Azerbaijan	33
Trade: merchandise (2006, as % of GDP)	Min.	Central Afr. Rep	24.1
	Max.	Swaziland	160.9
Trade: services (2006, as % of GDP)	Min.	Zambia	8.3
	Max.	Mongolia	32.2
FDI: net inflow (2006, as % of GDP)	Min.	Azerbaijan	-2.9
	Max.	Serbia	16
FDI: net outflow (2006, as % of GDP)	Min.	Rwanda	-0.6
	Max.	Azerbaijan	3.6

Table 1.5
Small Island Developing States

		Country	Value
Population (2006, in millions)	Min.	Palau	0.02
	Max.	Cuba	11
GNI per capita (2006)	Min.	Guinea-Bissau	190
	Max.	Singapore	28,730
PPP GNI per capita (2006)	Min.	Guinea-Bissau	460
	Max.	Singapore	43,300
Growth GDP per cap. (2005-2006)	Min.	Timor-Leste	-6.7
	Max.	Maldives	21.5
Trade: merchandise (2006, as % of GDP)	Min.	Haiti	44.5
	Max.	Singapore	386.2
Trade: services (2006, as % of GDP)	Min.	Trinidad & Tobago	9.5
	Max.	Singapore	91.6
FDI: net inflow (2006, as % of GDP)	Min.	Tonga	-0.91
	Max.	St Kitts and Nevis	42.3
FDI: net outflow (2006, as % of GDP)	Min.	Guinea-Bissau	-2.8
	Max.	Singapore	6.5

Several international meetings have been held and declarations made at their conclusion on LDCs, SVS and SIDS, and international agencies publish reports on these countries periodically. For example, the United Nations Conference on Trade and Development (UNCTAD) publishes reports on LDCs, the most recent one being in 2008. The Commonwealth Heads of Government Meeting (CHOGM) held in Malta during 25-27 November 2005 made a statement on SVS, which *inter alia* stated "...Small states have well-recognised vulnerabilities, and they are now confronted by new challenges. These include faster-than-anticipated erosion of preferential trade access arrangements; rapidly growing debt burdens; additional responsibilities and compliance costs associated with global efforts to combat terrorism; increased environmental risks associated with more frequent and severe natural disasters; the spread of HIV/AIDS and its impacts; and rising levels of youth employment" (see: <http://www.thecommonweath.org/Template/Internal.asp?modiID=1>, accessed 28 July 2008). The statement acknowledges earlier declarations and reports, such as Mauritius International Meeting of January 2006 and its Mauritius Strategy for SIDS and the Commonwealth Secretariat/World Bank Task Force Report of 2000.

A ministerial conference of landlocked and transit developing countries and donor countries and international financial and development institutions on Transit Transport Cooperation was held in Almaty, Kazakhstan, from 25-29 August 2003. It adopted the Almaty Declaration and the Almaty Programme of Action. Predictably, the action programme emphasised policy improvements relating to customs bureaucracy, fees and delays at borders of the landlocked countries, improvement in transportation infrastructure, more trade preferences, and technical and financial assistance for landlocked countries.

The Mauritius Declaration of 2005 on SIDS noted that the implementation of the programme of action for sustainable development of SIDS, adopted at Barbados 10 years earlier, was disappointing at best, having run into several problems due to inadequate internal cooperation, external resources and technology. Although the SIDS had done their part, their activities were hampered by the same problems, as well as their own capacity limitations to undertake what was needed to be done. The absence of sufficient international awareness of the specific social, economic and vulnerabilities of SIDS was a serious matter of concern. Noting that major challenges identified at Barbados still remained, while new challenges such as AIDS have emerged, it concluded that the agenda for SIDS has become even more urgent and daunting, but also that good progress was possible with crucial partnerships with regional organisations and civil society, and essential involvement of the private sector.

In 2001, the Third United Nations Conference on LDCs in Brussels adopted a programme of action for the least-developed countries for the decade 2001-2010. Its progress was reviewed in 2006 by UN-OHRLLS. A statistical profile on measuring progress in the LDCs was published in the same year jointly by UN-OHRLLS and the World Bank (World Bank, 2006). The author has drawn on the data and other information in this and the reports cited earlier.

The Doha Ministerial Declaration (WT/MIN(01)/DEC/1) of 14 November 2001 that launched the Doha Round (or the Doha Development Round) in paragraph 35 on small economies agreed to a work programme to examine issues relating to small economies with an objective “to frame responses to the trade-related issues identified for the full integration of

small vulnerable economies into the multilateral trading system *and not to create a subcategory of WTO members*" (emphasis added).

Paragraphs 42-44 of the Doha Declaration dealt with LDCs and acknowledged "the seriousness of the concerns expressed by the least-developed countries (LDCs) in the Zanzibar Declaration adopted by their ministers in July of 2001"; recognised "that the integration of LDCs into the multilateral trading system requires meaningful market access, support for the diversification of their production and export base and trade-related technical assistance"; endorsed "the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF) as a viable model for LDCs trade development"; reaffirmed "that provisions for special and differential treatment are an integral part of the WTO"; and agreed "that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational." Apart from these specific paragraphs relating to LDCs and SVS, other paragraphs relating to development are also relevant for these countries. Section 5 returns to the questions of how far the protracted and yet-to-be-concluded negotiations over six years of the Doha Round have met the goals set in the declaration of 14 November 2001 at Doha.

Several volumes (as well as numerous individual papers) on the special problems of LDCs and island economies, and the vulnerability (and indexes of measuring it) of small economies, have been published in a literature that extends back several decades. A comprehensive bibliography is not provided in this book. However, a few recent publications that were found most useful in writing this book and which also include references to and analyses of the findings in the literature are UNCTAD (2006); Briguglio *et al.* (eds., 2006); Briguglio and Kisanga (eds., 2004); Grynberg (2006); Kisanga and Danchie (2007); Winters and Martins (2004); and Commission on Growth and Development (2008).

The terms of reference (TOR) to this book were:

- 1) To assess the impact of the failure of the Doha Round negotiations on LDCs and small vulnerable states and the prospects for achieving their enhanced and beneficial participation in world trade.
- 2) To discuss the scope of cooperation between developed and developing (including least-developed) countries, apart from

multilateral trade talks and regional trading arrangements, in order to strengthen the link between trade, growth and poverty reduction in the developing world.

- 3) To identify the scope for and measures that may be adopted by developed and the more advanced developing countries for playing a fuller and more effective role to advance growth and development in the rest of the world (particularly in the poorer world), i.e., beyond their national borders and regional economic groupings.
- 4) Based on the above, to formulate recommendations for making the global partnership for development more effective.

These TOR are wide ranging in their scope, both in terms of country groups (SVS, LDCs and developing countries in general) and in terms of topics (world trade, growth, poverty reduction and development in general). Different sections of the book address different TOR. The first TOR is more of a factual assessment of the current state of the Doha Round negotiations, since the negotiations have not been formally declared to have failed as yet. For meeting the other three, one has to have some coherent framework for considering, first, the possible mechanisms of the interaction of trade, growth and poverty reduction in the developing world on the one hand, and their presence or absence as well as their strength in the specific context of the LDCs on the other; and second, the scope for public policy at national and international levels. Since the observed development, growth, poverty and trade outcomes are the result of domestic and international policies (economic, political and social) and natural as well as other resource endowments, without a coherent framework it is impossible to sort out the issues involved, particularly the issue of identifying causation from association. In what follows, Section 2 explores issues relating to a possible framework. This section reviews liberalisation of foreign trade as one component of a broader process of integration into the world economy of developing countries in terms of their trade in goods and services, in investment, in finance, in technology flows and in terms of migrations. This process usually, though not precisely, is summarised by the word globalisation. Section 3 is devoted to the institutional and other relevant contextual features of LDCs. In particular, it will attempt to distinguish between those features that might be reasonably viewed as exogenous and upon which the policies have no influence, and those

that are endogenous and amenable to influence by policies. Also, where appropriate, distinction will be drawn between national (and also purely domestic policies of the national government) and international policies (and those that are not domestic, e.g., trade, exchange rate and foreign capital flow policies of the national government). In Section 4, the author addresses the second and third terms of reference. Section 5 is devoted to an assessment of the current state of the Doha Round (the first TOR). Section 6 concludes the book by responding to the fourth and last TOR.

