19. Giving voice to the 'residual': putting the least-developed countries on the G-20 Agenda

By Debapriya Bhattacharya

Against the backdrop of uneven and faltering global recovery – underpinned by debates on fiscal consolidation and coupled with the threat of sovereign debt crisis – the fourth summit of the G-20 is to take place in Toronto at the end of June 2010. Following up on the work carried out since Pittsburg (September 2009), the high conclave is expected to address a whole gamut of issues relating to entrenched global imbalances and reforms of international economic and financial governance. The outcome of the summit will have ramifications for economies far beyond those represented in the group.

Inclusion of the residual

It may be recalled that the summit-level G-20 was created as a default option of the G7 (+1), reflecting recognition of the role of the key emerging market countries – often enjoying large foreign exchange reserves and current account surpluses – in devising responses to global economic and financial crisis. However, the number 20 was never sacrosanct (currently, there are 19 core members); rather, it embodies the attempt to cover the 'systemically important industrialised and developing countries'. It is often mentioned that these countries represent 90% of global gross national product (GNP), 80% of world trade and two-thirds of the world's population. These numbers not only indicate the overwhelming nature of representation of the platform, but also points to existence of a 'residual'.

It is largely the UN-designated LDCs that constitute this residual: 49 LDCs currently host 12% of the world's population, with more than 52% living on less than $1 a day (PPP). The countries account for less than 2% of world GDP and around 1% and 0.5% of the world's trade in goods and services, respectively.

Throughout the 2000s, the LDCs have been hit by the fuel, food and financial crises – which for the most part originated in international markets. As a result of the recent financial crisis, the number of the poor in these countries is set to rise by 6.1 million in Africa and 1.2 million in Asia. The absence of 'innocent victims' in the G-20 creates a moral hazard: the decision-making process is dominated by those who are largely responsible for the current economic and financial crisis. This issue of representation becomes particularly pertinent as the G-20 is engaged in a norm- and standard-setting exercise of universal relevance.

In this connection, the invitation to the Toronto meeting extended to Malawi and Ethiopia, which are both LDCs, is a welcome development. These two countries are being brought in to ensure regional balance, as they are currently chairing the AU and NEPAD, respectively. Similarly, Vietnam is being invited as the Chair of ASEAN.

Nevertheless, the rightful inclusion of Africa in the G-20 process does not address the need to give a voice to structurally handicapped LDCs, nine of which are in Asia and another six of which are island states in the Pacific. In fact, the recent earthquake in Haiti – the only LDC in the Caribbean – further exposed the vulnerabilities of this group in the face of exogenous shocks.

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The agenda for structural transformation

The rationale for securing a voice for the LDCs is motivated primarily by the need to put their developmental concerns on the agenda of the G-20. A recent study by UNCTAD shows that, notwithstanding high pre-crisis growth, the LDCs have failed to experience any structural transformation of their economy over the past decade that would have positioned their economies on a sustained and inclusive development trajectory. Economic growth in these countries has been dictated largely by external factors, including volatile commodity prices, inefficient trade preferences and concentration of foreign investment in extracting industries. Foreign remittance flows have also played an important role. Accessing foreign aid has remained a problem in terms of both quantity and quality. A number of the countries have experienced squeeze in trade finance. Most importantly, stimulus packages deployed in certain countries are having negative spillover on the competitiveness of the LDCs. Thus, the group's average growth rate is going to fall from 7% in 2008 to 4% in 2009 and even lower in 2010.

The LDCs are a major stakeholder of the G-20's core agenda for reviving economic growth, ensuring market stability and pursuing reform of global economic governance. But the G-20 needs to give active and concrete attention to the current developmental concerns of the LDCs. Some of the priority areas are: committing DFQF access for all products from all LDCs (as the Doha Round remains inconclusive); ensuring disbursement of foreign aid as per international commitments; incentives for encouraging foreign investment flows to the LDCs; a moratorium on stimulus measures that affect the competitiveness of LDC economies; and calibrating global financial regulations to the needs of the LDCs.

The agenda for the transformative growth of the LDCs will gain prominence as the MDG Summit (New York, September 2010) and the fourth UN Conference on the LDCs (Istanbul, May 2011) draw near. It will only be appropriate for the Toronto meeting of the G-20 to take cognisance of the LDCs' concerns and put them substantively on the agenda for the Seoul meeting at the end of the year.