BACKGROUND
It is widely recognized that trade serves as an engine of growth and poverty reduction. The growth performance of LDCs during 2000s is remarkable, with an average GDP growth rate of 7.5%, although this rate has gone down to 5% since the aftermath of the 2008–2009 global financial and economic crises, which is less than the 7% target rate agreed in the Istanbul Programme of Action. The LDCs growth performance has been driven largely by the performance of the exports sector thanks to buoyant commodity prices particularly during the boom period of 2002–2007. For instance, overall merchandise exports have increased rapidly even in the aftermath of the financial crisis, from US $50 billion in 2002 to about US$220 billion in 2012. The share of LDCs’ overall merchandise exports going to developing countries, especially China, has been rapidly increasing and, in 2012, accounted for over 50% of total merchandise exports. Consequently, on a measure of trade/GDP ratio which is higher than 50% (on average), the trade orientation of LDCs is among the highest as compared to other groups of countries. It is equally important to note that the economic performance of LDCs as a group relies heavily on commodities. UNCTAD classifies 27 of the current 48 LDCs as commodity exporters: 11 agricultural exporters, 10 mineral exporters and six oil exporters. Moreover, the three largest exports in 19 of these 27 countries were commodity products that accounted for more than 50% of merchandise exports in 2012. After all, commodities accounted for four-fifths of LDCs’ goods exports during 2007–2012, with the share of commodities exceeding 50% in 38 countries.

However, an impressive growth performance observed in LDCs has not translated into accelerated poverty reduction and improved human well-being in these countries. UNCTAD has been arguing that the key to reducing poverty in the world’s poorest countries is to build their productive capacities and promote structural transformation, including diversification and value-addition.

OBJECTIVE
It is crucial that LDCs’ development policies and international aid programmes focus increasingly on enabling such countries to develop the ability to produce efficiently, goods and services that can be sold both at home and abroad. That is, goods and services that gradually increase in variety and sophistication –so that a “virtuous circle” of increasing employment and stable growth takes hold. Similarly, the heavy dependence on exports of primary commodities is the cause and consequence of weak productive capacities in LDCs which also made them excessively vulnerable to commodity price volatility.

ISSUES FOR DISCUSSION
- What policies and strategies are required to enhance the role of trade in building productive capacities?
- How can natural resources wealth contribute to sustained growth, poverty reduction and development? How can LDCs integrate in regional and global commodities value chains?
- What policies and strategies are needed to capture commodities gain in LDCs’ development?
- How can LDCs maximize benefits from market access opportunities and S&D provisions contained in WTO agreements?
- What will be the role of development partnership in diversification and value addition?