

## **Preparatory Process for the Doha Review Conference**

Review Session on Chapter III of the Monterrey Consensus:  
“International Trade as an Engine for Development”

Tuesday 20 May, 2008

Presentation by Gemma Adaba – International Trade Union Confederation (ITUC)

Honourable Co-Chairs,

I am speaking on behalf of the International Trade Union Confederation (ITUC) representing 168 million workers organized in national trade union centres in 155 countries. We associate ourselves with the NGO Statement submitted for the current review of the Trade Chapter of the Monterrey Consensus. We thank you for giving us this opportunity to intervene on this important Chapter of the Financing for Development Review process

We are particularly concerned at the lack of delivery on the promise of Monterrey – that trade would be an engine for growth and development. We witness impressive output growth of trade in volume terms, but with limited social development outcomes in the real economy, and limited distributional impacts on household incomes. The share of labour in national income has gone down in a majority of developing countries and this goes hand in hand with increased wage inequality, decreasing living standards and increasing poverty. The food crisis has further exacerbated an already tenuous situation for millions of workers and families living in poverty. Trade and financial liberalization have undoubtedly played a role in bringing developing countries to the current impasse.

We contend that trade can only be an instrument to raise financing for development in the presence of a number of complementary policies. These should target:

- Value-addition, technology transfer skills and technology content and creation;
- The creation of backward and forward linkages in the domestic economy;
- Implementation of development-friendly performance requirements;
- Accompanying welfare-enhancing policies, including productive employment and decent work;
- Restrictions on profit repatriation;
- Balanced rules on investment, with rights and obligations for investors and the observance of workers protections and rights.

Many of these policies are, unfortunately, discouraged by WTO and other trade agreements that call for progressive trade liberalisation and deepening financial liberalisation.

In this regard, it is worth highlighting that foreign direct investment (FDI) tends to support export production led by multinational corporations, which currently account for around two-thirds of world trade (UNDP 1999). While FDI has the potential for expanding country export, its impacts on growth and capital accumulation are dubious. Transfer pricing, tax evasion and other revenue-eroding measures are made easier in the absence of controls on foreign investment and capital flows. Moreover, FDI agreements

rarely target social development outcomes such as the creation of productive employment and guarantees of workers' rights in such employment.

Overall, multinational companies (MNCs) are often the primary and sometimes virtually the sole beneficiaries of FDI agreements. We consider that EPZs (Export Processing Zones) are an expression of one of the most unbalanced aspects of the WTO's rules, namely, the notion of non-discrimination, which stipulates that foreign entities must be treated no less favourably than domestic entities. This implies that foreign entities could, in principle, be given more favourable treatment. And this is exactly what occurs in the case of EPZs where MNCs are afforded tremendous concessions, including the right to evade domestic taxation, environmental, labour and health and safety laws which domestic employers must respect.

Meaningful participation of developing countries in multilateral trade negotiations and North-South partnerships continues to be hindered by their lack of resources and negotiating capacities, and by outright pressure from more powerful players. Two cases in point are the NAMA negotiations of the WTO (Non-agricultural market access), and the EPAs (European Partnership Agreements), where the reduction of tariffs to low levels will seriously jeopardise the potential for industrial development, diversification of industries and the creation of decent and productive employment. Reduction of tariffs will also have an impact on tariff revenue for governments, which could severely jeopardise the financing of trade adjustment programmes, social protection and the provision of public services like health and education

**We recommend that performance requirements be established to ensure that all aspects of trade agreements are compliant with pro-development policies, including the Decent Work commitments made by governments in the 2006 ECOSOC Ministerial Declaration, and reaffirmed in the Resolution to the 46<sup>th</sup> Session of the Commission on Social Development. Also, developing countries should be afforded the policy space to determine the sequencing and pace of trade and financial liberalisation.**

**As regards, the social responsibilities of MNC's, the ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy provides the only universally applicable set of expectations concerning the behaviour of international business and should be the basis for establishing a social regulatory framework.**

For trade to deliver on positive development outcomes, the considerations outlined above on the social dimensions of trade and financial liberalisation should form an integral part of the policy dialogue. The Doha FfD Review process provides an important policy platform for such a dialogue.