

STATEMENT BY UNDP

MADE 15 JUNE 2004

**AT THE UNITED NATIONS CONFERENCE
ON TRADE AND DEVELOPMENT**

Eleventh Session

**São Paulo, Brazil
13-18 June 2004**

UNDP STATEMENT FOR UNCTAD XI (São Paulo, Brazil, June 14-18, 2004)

The deadline for the Millennium Development Goals is approaching fast. There are less than eleven years left to meet the world's shared aim of halving extreme poverty and hunger, putting all boys and girls into school, stemming the spread of HIV/AIDS and meeting the global targets on reducing maternal mortality and child mortality, reinforcing gender equality and building a sustainable environment. While, as UNDP's Human Development Report 2003 clearly showed, the role of developing countries themselves is most important (and indeed, significant progress has already been made on every Goal in many countries), none of them will be achieved globally and in every region on current trends without real - and very rapid -- progress on the Eighth Goal: increased support for developing countries from their richer counterparts in the form of debt relief, increased development assistance and, critically, trade.

The collapse of the WTO Ministerial meeting in Cancun, Mexico, in September 2003 was a tremendous setback for this vision. The enormous subsidies and other trade barriers imposed by developed countries continue to price even some of the most efficient poor farmers and entrepreneurs out of key global markets. Interim deadlines have been repeatedly missed. The next eighteen months represent the last realistic window of opportunity to repair the damage and lay the necessary foundations to meet the MDGs by the 2015 deadline. If the promise of the new trade round is to be revitalized and met on deadline, this meeting must be a moment when the world recommits the promises made at Doha and agrees a firm timetable to implement them. By the fifth anniversary of the Millennium Declaration next September the world must have put in place the policies, financing and action necessary to make the quantum leap in development results over the next decade needed to make the MDGs a reality.

Trade, Growth, Poverty Reduction and Human Development: Some Linkages and Policy Implications

Conventional wisdom holds that the link between trade, poverty reduction and human development is through economic growth. Trade can be a powerful source of economic growth and trade liberalization is the common policy prescription for increasing trade flows. The voluminous literature on the positive relationship between trade liberalization and economic growth forms the basis for often-heard claims about the benefits of trade openness. But that literature is far from unequivocal and there is no convincing evidence that trade liberalization is automatically or always associated with economic growth, let alone poverty reduction or human development. Moreover, despite a voluminous literature, very little is known about which kinds of trade policies are conducive to growth.

Cross country empirical evidence appears to confirm that the only systematic relationship between countries' economic growth and their average tariffs and non tariff restrictions is that they dismantle trade restrictions as they get richer. With few exceptions, today's rich countries embarked on modern economic growth behind protective trade barriers but now have relatively low barriers in most areas. The experiences of industrial and successful developing countries also provide two other lessons. First, economic integration with the world economy is most often an outcome of growth and development, not a prerequisite. Second, institutional innovations-many of them unorthodox and requiring considerable domestic policy space and flexibility-have been crucial for successful development strategies and outcomes.

As a result, a vision for the future should start with four simple principles of international trade:

Trade is a means to an end, not an end in itself.

Trade rules have to allow for diversity in national institutions and standards.

Countries should have the right to protect their own institutions and development priorities.

No country has the right to impose its institutional preferences on others.

The Doha Trade Agenda and the MDGs

The journey from the triumph of the 1994 Marrakech Agreement, which created the World Trade Organisation (WTO) to the Seattle debacle in 1999 and more recently the Cancun collapse in 2003 has spanned less than ten years. While there were multiple reasons for the failure of multilateral trade negotiations in both Seattle and Cancun, an important one in both cases was the very different, even contradictory, perceptions and expectations on the part of different governments. These differences were particularly pronounced between the majority of developing countries and most industrialized nations and unless these are resolved equably and equitably, little progress is possible.

The most important agreements reached in Doha that embody its 'development' content include those relating to (i) agriculture; (ii) trade-related intellectual property rights (TRIPS) and public health; (iii) special and differential treatment (S&D); and (v) technical assistance for capacity strengthening in the least developed countries.

The Doha agenda is much broader than these four issues and progress in them can only be viewed as first steps towards making the global trade regime more 'development friendly'. However, even judged against this limited set of issues, progress has been almost non-existent. Deadlines for agreeing on proposals in agriculture and S&D have come and gone without agreements while those for TRIPS and public health were delayed. We can only hope that the new announced timetable of end-July 2004 for agreeing a framework agreement on agriculture and other issues will be met in Geneva.

Nevertheless, even if this new proposed deadline is met, the Doha Round conclusion deadline of January 2005 now looks like an impossible deadline. At the same time, very little technical assistance has focused on actual capacity strengthening in developing countries; and there is little integration of trade strategies with broader national development or poverty reduction strategies, including the Poverty Reduction Strategy Papers (PRSPs).

UNDP would like to single out one specific issue as "make or break," not just for Doha but for the MDGs as a whole: agriculture. Both because it cuts across so many of the other goals, and because it has now become, rightly, the litmus test for all developed countries to prove their good faith.

Agriculture remains the mainstay of the majority of the world's poor people: over 70 per cent of the people in developing countries rely on it for employment and their livelihood. Thus, the WTO Agreement on Agriculture has major implications---and potential---for the achievement of the MDGs. Action clearly needs to be taken by both rich and poor countries in reducing tariffs, trade-distorting domestic support, export subsidies and other export supports. In each area, however, leadership needs to come from developed countries. A breakthrough simply cannot be realized as long as OECD members continue to provide approximately \$1 billion a day in domestic agricultural subsidies and tariff peaks and escalation (tariffs of 350-900 per cent for some agricultural exports of interest to developing countries such as sugar, dairy products and rice) remain pronounced in many industrialized countries.

Two sets of proposals in agriculture are particularly important with respect to MDG 8: (i) the need to allow developing countries greater flexibility in their agricultural development policy to enable them to achieve food security and foster human development; and (ii) the need for increased market access for developing countries, especially in the EU, Japan and North America, through reductions in their domestic and export subsidies, cuts in tariff and non-tariff protection, and the cessation of dumping practices.

While specific indicators for subsidy reduction are part of MDG 8, specific timeframes need to be urgently agreed for the reduction of different categories of subsidies---including the phase-out of all export subsidies where there was at least an agreement in principle at Doha. If developing countries face timebound goals, so should their developed counterparts. In this context, UNDP welcomes the recent May 9, 2004 joint letter of European Commissioners Lamy and Fischler which for the first time indicates the EU's willingness to phase out all export subsidies under certain conditions. We also welcome USTR Robert Zoellick's commitment that the US will be willing to do the same with trade distorting export credits and other export subsidies. However, we need to see these urgently translated into action with clear timelines.

Moreover, agreement on a special safeguard mechanism for developing countries and on a category of special, strategic products for developing countries which directly relate to

their food security and broader human development needs is equally important because of their relevance to the achievement of the MDGs.

UNDP's Trade and Development Strategy

While continuing to advocate for aggressive multilateral action on trade negotiations that is the necessary foundation for accelerated progress, UNDP is also pressing ahead with helping developing countries to address three important capacity development needs: (i) the capacity to compete internationally by overcoming institutional, human, and other supply side bottlenecks; (ii) the capacity to negotiate, interpret and implement trade agreements (multilateral, regional and bilateral) which prioritize poverty and human development concerns; and (iii) the capacity to incorporate pro-poor trade policy in poverty reduction strategies.

A global trading system cannot deliver fair and effective outcomes unless its members have the capacity to negotiate. There is limited capacity for trade-related policy research among many developing countries. Strengthening the capacities - to set the agenda, to negotiate effectively and to keep pace with trade negotiations, especially for the least developed - is a crucial component of a multilateral trading regime oriented towards human development and the MDGs. The need for technical assistance in this regard has been recognised in the Doha agreement.

Moreover, many developing countries, especially the least developed, face infrastructure and other supply side bottlenecks and constraints that make it difficult for them to compete effectively and take advantage of existing market access and other trade opportunities, regardless of whether negotiation outcomes are to their advantage.

To help address these issues, UNDP is currently moving forward with a wide range of partners on a range of global or regional initiatives in addition to its country focused work on trade and development.

Current global initiatives include **The TRIPS and Access to HIV/AIDS Drugs Programme** which is being jointly undertaken by our Poverty Reduction and HIV/AIDS Groups in an attempt to operationalize the Doha Ministerial Declaration On TRIPS and Public Health, including the crucial paragraph 6 resolution of August 30, 2003 in their true spirit. UNDP is also the Trust Fund Manager for **The Integrated Framework for Trade Related Technical Assistance (IF) for LDCs**, a joint six agency project which includes UNCTAD and five other international organizations. We are the lead for Window II on capacity development.

Regional initiatives include the **The Asia Trade Economic Governance and Human Development Programme** which operationalizes some of the messages of the UNDP co-sponsored publication Making Global Trade Work for People (Earthscan, 2003). It has already produced approximately 40 Technical Support Documents (TSDs) in eight sectoral/thematic areas and will synthesize these in an Asia Trade and Human Development Report, to be published in the last quarter of 2004. Other existing or proposed regional initiatives include empirical case studies on the experience with trade

liberalization in a number of Asian countries, a three year Africa Trade, Poverty Reduction and Human Development Programme which is about to commence and a proposed Caribbean Trade and Human Development Programme which will adapt and operationalize UNDP's trade and human development messages to the particular vulnerabilities of small and vulnerable states (SVS), including small island developing states (SIDS).

UNDP remains committed to supporting these and other trade and development initiatives because it believes that the MDGs cannot be achieved without a strong and appropriate developmentally oriented trade policies at both the national and international levels. In particular, a genuinely development oriented world trade regime as envisaged in the Doha round is indispensable if the world is to achieve the MDGs. But trade concessions on their own, while necessary, will not be sufficient to meet these goals unless accompanied by stronger, more comprehensive capacity strengthening initiatives within developing countries as well, especially in the LDCs. If we can do both, then we have every chance of harnessing the great poverty-reducing engine of trade to help build a more peaceful and prosperous world.