

# BRIEFING PAPER



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## The TDP Project and Links with MDGs

Marianne Jacobsen\*

*"Real change is an act of freedom, not an act of compliance with rules and conditionalities..."* (Vandemoortele, 2003).

This Briefing Paper highlights the possible synergies between the Linkages between Trade, Development and Poverty Reduction (TDP) project and the Millennium Development Goal (MDG), by looking at how international trade intersects with the global MDG agenda, as well as pointing to operational aspects of providing for coherence between trade rules and policy, on the one hand, and the achievement of the MDGs, on the other. It cannot be claimed that this paper is comprehensive, but rather a short briefing, pointing to the basic issues in the trade and MDG links that need consideration.

### Context Setting

The MDGs adopted by the world's governments at United Nations in 2000 followed by the launching of a new round of trade negotiations (Doha Development Agenda) under the aegis of World Trade Organisation (WTO) at Doha in 2001 are the two international agenda that have dominated much of the developmental debates from the year 2000 till date. These initiatives seem to govern and frame the possibilities of achieving a world where equal opportunities for a decent livelihood exist for all people. Unfortunately, it seems that both these agreements – despite their promising and optimistic start – are experiencing a lack of political will on the global level. A lot remains to be done, if this decade is not going to be termed as the 'decade of broken promises'.

At the UN Millennium Summit in 2000, governments signed onto the Millennium Development Declaration committing themselves to 'spare no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty' (UN, 2000). The MDGs and their related targets and indicators, to be achieved by 2015, were derived from this Summit.

In September 2005, the Heads of States assembled in New York, for the MDG +5 Summit to review progress of the last five years and lay the way forward. However, the Summit was a disappointment for many. Although the political process prior to the Summit was perceived as positive, last minute changes to the Draft Outcome Document, by the US seriously endangered the process and resulted in a watered-down outcome, which enraged many observers and stakeholders. The wide-ranging disappointment with the Summit Outcomes can also be related to the so far limited successes of implementing the MDGs. Most countries are off-track and global assessments are only somewhat positive, which is due to the progress of advanced developing countries such as China and India.

In November 2001, at the fourth WTO Ministerial Meeting, the Members adopted the Doha Declaration, initialising the Doha Round of trade negotiations, which was later dubbed as the 'Doha Development Round'. The spirit of the Doha Declaration was to work towards re-balancing the current multilateral trade regime by "plac[ing] their [developing

countries] needs and interests *at the heart*" [emphasis added] of the Doha Work Programme (Doha Declaration paragraph 2). Thereby providing developing countries with greater economic benefits from global trade reform and enabling them to translate trade liberalisation and economic growth into poverty reduction and human development.

According to the agreed timetable, the Round was supposed to end in 2004. None of the deadlines within the trade round have so far been met, owing to the fact that developed countries are conditioning their commitment to reduce their massive agricultural subsidies on developing nations making significant market access concessions in areas such as agriculture, industrial goods and services, while being very reluctant to effectively review and improve the development aspects of the Multilateral Trading System (MTS). This limbo has not been resolved so far.

The promises that were made are so far unfulfilled. However, on other fronts, positive developments should be noted. Civil society movements, such as the Global Call for Action against Poverty (GCAP), Live 8 and political processes, including the G-8 Summit in Gleneagles, or the Commission for Africa Report, proffer hope that not all is lost. These processes are proof that the world and its political leaders know that they must achieve the MDG's, and that multilateral efforts for global trade reform must be conducive to this undertaking.

### What are the specific links between trade rules and the MDGs?

There is no proven direct link between trade liberalisation, economic growth and poverty eradication. Yet, it is widely believed that trade can work as an engine of economic growth and, consequently, for poverty reduction (Mealy, 2005; Vandemoortele, 2003); but as the so-called 'trickle-down' effect seems not sufficient, income redistributing systems and safety nets would need to be in place, if growth is to work for the poor. MDG 1 i.e. eradicating extreme poverty and hunger is, thus, in all its dimensions, affected by the structure of the MTS. If the MTS is not supportive of pro-poor policies and does not foster socially equitable economic growth in developing countries, then it will certainly not make a

\* Marianne Jacobsen, Sustainability Watch, for CUTS International Symposium on the Linkages between Trade, Development and Poverty Reduction. The views are personal.

significant contribution to global poverty eradication. This relationship is also addressed in MDG Goal 8 i.e. developing a global partnership for development, which stresses the development of an open, rules-based, predictable and non-discriminatory trade regime that works for developing countries. It seems that the entire MTS needs to be re-balanced to take into account the special needs and challenges of developing countries, otherwise the effects of trade liberalisation on human development will either be negative or nil.

The overarching goal of poverty eradication and its achievement is linked to the fundamental structure of the international trade regime and trade expansion can only be seen as a *means* to reach this end. Other goals and their attainment, however, are directly affected by sector and issue-specific trade rules and agreements.

The following paragraphs will highlight some of the main inter-linkages between the individual MDGs and existing trade policy and trade agreements.

#### ***MDG 1 – Agriculture and Food Security***

The majority of the world's poor people live in rural areas and are dependent on agricultural activities as their main source of income. The agricultural sector is, still, the biggest sector in most developing country economies and the main driver of their economic growth.

The Agreement on Agriculture (AoA) and the negotiations related hereto have a great influence on achieving MDG 1. The AoA impacts the livelihoods of the rural poor and broadens or narrows the opportunities of developing countries to spur economic growth through agricultural trade.

On the supply side, the AoA must provide developing countries with sufficient policy space to achieve food security for their rural populations; promote small-scale farming and increase the efficiency and productivity of their agricultural sector as well as encourage diversification and value addition, while considering the needs of marginalised population groups, such as women and the landless. On the demand side, developing countries need effective and predictable access to the world's key agricultural consumer markets at a level-playing field, i.e. in a system free of tariff and non-tariff distortions.

Countries need to be wary of over-ambitious trade liberalisation. Studies have shown that "no country has developed by throwing open its borders to foreign trade" (Vandermoortele, 2003). In terms of food security, developing countries – especially the poorest and those with a large share of non-commercial agriculture – must have all the flexibility needed to determine their individual mix of domestic production and food imports for pursuing their national food security agenda. It is, therefore, imperative that developing countries can also take certain measures to protect their agricultural farmers to achieve food security and strengthen competitiveness of their agricultural sectors.

Issues arising from the AoA related to achieving the Millennium Development Goals include:

- The right of developing countries to self-identify and, consequently, protect Special Products that are important to low-income and resource poor farmers for basic food needs. The Hong Kong declaration sets out special mention to sensitive products and special safeguard mechanisms
- The right of developing countries to apply special safeguard mechanisms that protect the food and income security of the rural population.

- The elimination of tariff peaks and tariff escalations in developed countries on value-added agricultural products
- The elimination of trade-distorting measures by developed countries (including subsidies and other non-tariff barriers [NTBs]).
- The inclusion of needs and context-specific Special and Differential Treatment (S&DT) measures to cater for the fact that not all developing countries are equal in their priorities and needs, and that needs and priorities might differ greatly amongst the rural population within one country.
- The promotion of paying premium prices for high-quality products and products that are produced in environmentally and socially sustainable ways.
- The rights of farmers to use, sell, exchange and store seeds are an integral part of the agricultural system and essential to upholding the genetic diversity in a given region. These rights are often in the spotlight in connection with negotiating the TRIPs agreement and related plant protection agreements, e.g. the International Union for the Protection of New Plant Varieties.

#### ***MDG 2 – Universal Primary Education and Services Liberalisation***

The goal of achieving universal primary education for both boys and girls seems to be connected to trade policy and the trade regime through liberalisation of the services sector. Such liberalisation could include the educational sector as well. However, with so many other social services sectors in developing countries, much of this sector has been liberalised and privatised already and effects might, therefore, be minimal. Notably, subjecting primary education to the realm of the WTO General Agreement on Trade in Services (GATS) is conceived as a very sensitive issue by most countries and developing countries have, so far, only been asked to open up the tertiary education sector in the current multilateral services negotiations.

#### ***MDG 3 – Promoting Gender Equality***

This goal is mainly related to the educational sector and is, therefore, also linked to the MTS, through the GATS framework. However, when it comes to gender equality in the broader sense, it is clear that WTO rules are not gender-neutral, but gender-blind. Global trade rules do not take into account that what works for poor men might not work for poor women. So far, international trade policy does not provide an opening for positive discrimination in any way. For example, eventual voluntary labelling schemes do not seem sufficient to provide for appropriate 'affirmative action' for the benefit of marginalised women.

#### ***MDG 4, 5 and 6 – The Health-related MDGs***

Goal 4 urges countries to reduce, by two-thirds, the number of children dying under the age of five. Around the world, 20 children, under the age of five, die per minute i.e. 30,000 per day. These children mainly die of malaria, pneumonia, diarrhoea and measles during or shortly after birth. Most of the deaths are preventable (WHO).

Clearly, all the three Goals and their achievement are related to the availability and affordability of essential drugs. At the international level, this issue is governed by the agreement on TRIPs, which influences consumers access to essential drugs.

Although WTO Members have finally clarified the right to identify national health emergencies and authorise the production of patented drugs without the consent of the patent owner, such measures are not sufficient and it still remains to be seen how practical they are.

However, improved health conditions for the poor and the marginalised do not only relate to prices and patents, but also to whether drugs are available under proper medical observation and guidance and quality medical services.

Thus, the implementation of the health-related goals is also strongly related to the GATS. The liberalisation and privatisation of health services can have an effect on poor people's access to these services and as the quality of health services increases, consumer fees would rise and wage differences between state-run hospitals and privately owned hospitals would lead to a lack of medical staff in the rural areas. Most of these factors and their effects can already be observed in developing countries, as much of the public sectors have been privatised already under Structural Adjustment Programmes ([SAPs] OECD, 2003).

#### **MDG 7 – Environmental Sustainability**

Environmental sustainability in developing countries is not directly linked to a specific trade agreement, but negotiations are underway under the Doha Work Programme on a set of 'trade and environment issues' (Doha Declaration paragraphs 31 and 32). However, many indirect linkages exist, in particular, if one recognises the interlinkages between poverty and environment. The poor are directly dependent on the sustainability of these natural resources from which they derive their livelihoods.

The linkages between the achievement of MDG 7 and the trade regime are therefore numerous, including:

- **Natural resource use:** Economic development is based on the exploitation of natural resources. A country is not likely to achieve poverty eradication if the environmental base is being eroded and is managed in an unsustainable manner. Is liberalisation of resource-based goods trade a promoter of unsustainable environmental management?
- **Sanitary and phytosanitary (SPS) Measures:** Is it positive for the environmental management of developing countries, if other countries (most often the EU) apply strict measures for example, the level of pesticide residues in agricultural products?
- **Liberalising the environmental services sector:** In particular, there are strong links between the achievement of the target of access to safe drinking water and liberalisation of the water sector under the environmental services negotiations.
- **Liberalising the environmental goods sector:** Will it be possible for developing countries to gain benefits in the organic agricultural products sector?
- **Fisheries subsidies and rules:** Negotiations on these and related fishing access agreements need to be examined closely for their impacts on sustainable pro-poor growth.
- **Transfer of technology:** The transfer of green technology could be a win-win situation for developing countries.
- **Protecting the genetic diversity of a country:** Relates strongly to the TRIPs agreement, which governs farmers in the management of seeds and thereby, in the management of genetic diversity.
- **Diversification of the agricultural sector:** Monoculture of export crops has a massive influence on the environmental

stability in rural areas. The transfer of technology and innovative mechanisms in the agricultural sector is crucial to prevent unsustainable agricultural techniques that solely focus on serving a limited export market of primary commodities.

- **National bio-safety regulations:** The legal status of natural bio-safety regulations as compared to obligations under the international trade regime is crucial. Do trade rules overrule national bio-safety laws?

Considering these links and cross-sections what can be done to support the achievement of the MDGs through pro-poor trade policies?

#### **MDG 8 – Global Partnership for Development**

This goal promotes global public good of an open, rules-based and non-discriminatory MTS, which is generally seen to be beneficial for both global welfare and the interests of many poor households in developing countries (GTA, 2004). The special consideration of MDG 8 accorded to the poorest and most vulnerable countries, including LDCs, landlocked and small-island developing states, is certainly a promoter of countries' individual development concerns. However, as argued earlier, moving away from the 'one-size-fits-all' paradigm towards further needs and context-specific special and differential treatment (S&DT) is pivotal for MDGs achievement.

Also related is the aspect of more generous official development assistance (ODA), which can take the form of trade-related support programmes. Here, it is important to notice that concepts such as 'Aid for Trade' are useful, but must take into account that trade-related support is only effective if it is truly capacity building in the sense of Vandemoortele's thought of 'ideas changing minds rather than money changing hands' (Vandemoortele, 2003). When designing and implementing their trade-related support programmes, developed countries should also consider the idea of trilateral development co-operation and support South-South co-operation, which could easily prove to be highly effective in realising the notion of 'ideas changing minds'.

Yet, MDG 8 should not be conceived as a 'Northern' goal, as it is pivotal that developing countries come up with lists of their trade policy-related priorities and suggest areas of intervention, including supply side and trade development aspects. In a true partnership, all parties are heard and a common effort will eventually lead to achieving the set goals. This is not only true for the 'trade partnership' but also for aid and debt. Southern countries should not be mere recipients, when it comes to Goal 8, but should be heard in their needs and priorities and play an equal part in setting the agenda. A few developing countries (i.e. Malaysia and Thailand) have prepared progress reports on MDG 8 that highlight their contribution to developing a global partnership. Such developments are highly positive and should be supported with a view to strengthening South-South co-operation.<sup>1</sup>

#### **Towards Coherence between Trade Policy and MDGs**

It is clear that international trade policies and rules can provide only a supportive framework for ensuring the achievement of the MDGs, while the actual 'pro-MDG' trade policies need to be devised at national and regional levels. What the MTS can contribute is the removal of trade distortions, while granting developing countries all the specific policy space they require for pursuing their individual development (economic, social and environmental) and poverty eradication agendas.

In terms of achieving coherence between trade policy and MDGs, national level policy-making is, thus, a major level of intervention. The points laid out below highlight some of the main aspects that should be considered in this regard:

**Localisation:** When the MDGs were adopted and developed, much emphasis was placed on the need to ‘localise’ the Goals, i.e. to tailor them according to national priorities and contexts. Countries were asked to develop their own goals and targets. Basically, this approach was born out of the realisation that a ‘one-size-fits-all’ method is not conducive to development and will eventually fail to deliver results at the national level. Not only has it shown to be a useful process to ‘localise the MDGs’ because it makes them more operational at the national level, it has also shown that this makes their progress and implementation easier to monitor. It is, therefore, also easier to adapt to correcting measures, if some of the MDGs appear to be off-track and unattainable. In fact, localisation processes have helped countries to internalise and truly own the MDGs and consequently, integrate them into their already existing national policies.

So far, way too few countries have taken up the opportunity to localise the MDGs to better fit them into their national context. This challenge should be taken up by developing countries in co-operation with national stakeholders rather sooner than later. This process could also feed into the national development strategies agreed upon during the MDG +5 Summit where the Heads of States agreed to develop such strategies by 2006, to further lay out the path for MDG implementation.

**National Policy-making:** Developing countries need to make an extra effort to define their trade-related needs and priorities and ensure that policies governing the implementation of national trade policies are in place, coherent within the development and poverty eradication frameworks and pro-poor. The ‘localised’ MDGs should be mainstreamed in these frameworks. However, many developing countries still do not have a specific national trade policy and many have not integrated strategic trade policy aspects into their pro-poor policies, such as the Poverty Reduction Strategies. Without identifying national trade priorities, which lead to national trade policy-making that is coherent with and mainstreamed into

national pro-poor policies, it will be difficult to reap the benefits of trade liberalisation.

National trade policy-making needs to involve all relevant stakeholders, including ‘trade-policy users’, in particular the poor and marginalised to support their empowerment. Only when ‘trade-policy users’ co-own national processes will they start to internalise their role in making trade policy conducive to their own development and only then will national trade policy and related programmes be truly effective (Werth, 2005).

**Partnerships:** It must be acknowledged that both trade and MDGs are reinforcing each other. In fact, the relation between MDGs and trade seems more robust than the other way round i.e. a largely uneducated, under-nourished society – in which large groups live in hunger and absolute poverty, and where, in particular, women are mostly excluded from the value adding economy – is unlikely to reach the competitiveness levels which would allow it to make full use of its comparative advantages in trade, thus constraining the attainment of the MDG’s.

## Conclusion

Trade and MDGs must, therefore, be looked at holistically. This should translate into co-operation between relevant policy makers e.g. Trade, Agriculture, Health, Education and Gender Ministries, multi-stakeholders in trade, multilateral trade and development agencies (Bretton Woods Institutions and respective UN agencies), and other development partners - be it governmental or non-governmental - in the context of trade, development and poverty reduction-related policy-making processes. Through these partnerships, it can be ensured that developing countries are put in a position to devise and articulate coherent trade, development and poverty reduction agendas which are technically and financially supported by programmes aimed at the removal of key bottlenecks to trade, development and poverty eradication. Multi-stakeholder and multi-donor sector alliances could be established not only nationally, but also regionally and internationally around MDG-trade-related issues. These could include food security, environment, education, health services and the integration of marginalised groups in national economies. Such sector alliances could be specifically tasked with assuring and monitoring trade-MDG coherence.

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## Endnote

<sup>1</sup> Other trade-related aspects of MDG 8, such as access to affordable essential drugs and technology transfer, have been addressed elsewhere in this paper.

