

Report of the CUTS Event on
Trade-Development-Poverty Linkages

at

UNCTAD XII Civil Society Forum

19 April 2008, 1115-1300 hrs

Room Lv2.1, Ghana National Theatre, South Liberia Road, Accra, Ghana

1. Background and Objective

1.1 The CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), Jaipur, India organised an outreach event and launch of a book titled: *‘Trade-Development-Poverty Linkages – Reflections from Selected Asian and Sub Saharan African Countries’ Volume I – Country Case Studies*, on the occasion of UNCTAD XII in Accra, Ghana on April 19, 2008. The main objective of this event held under CUTS project, *‘Linkages between Trade, Development and Poverty Reduction’ (TDP)*, was to place at UNCTAD XII Civil Society Forum a set of key messages on trade-development-poverty linkages to the trade community at large.

1.2 The event was in continuation to two Pre-UNCTAD XII Civil Society Forum which was organised by CUTS for African and Asian civil society organizations in Nairobi www.cuts-citee.org/pdf/AfricanCivilSocietyRecommendations-UNCTADXII.pdf and Hanoi (www.cuts-citee.org/pdf/AsianCivilSocietyRecommendations-UNCTADXII.pdf) in March 2008. The key recommendations emanated from them were placed at the outreach meet at UNCTAD XII. More than 40 participants from inter-governmental organizations, parliamentarians, non-governmental civil society group, research institutes, social activist, media etc, arrived for the occasion of UNCTAD XII, actively participated in the discussion.

1.3 The CUTS-TDP project (<http://www.cuts-citee.org/tdp.htm>), is being carried out over four years through research, networking and advocacy activities in thirteen major developing and least developed countries in Asia and Africa, viz. Bangladesh, Cambodia, China, India, Nepal, Pakistan, Sri Lanka and Vietnam (from Asia) and Kenya, South Africa, Tanzania, Uganda, and Zambia (from Africa), with support from the Ministry of Foreign Affairs (MINBUZA), the Netherlands and the Department for International Development (DFID), UK. The messages from the project have been documented in two volumes. Volume I contains overall country experiences and Volume II contains sectoral experiences. The latter is yet to be released.

1.4 These volumes present lessons that could be used by UNCTAD and the wider local, national and international community in their work on trade and development. UNCTAD Member States could benefit from these lessons in their national trade policy exercise. Similarly, civil society organisations (CSOs) and other stakeholders could use the messages to lobby their trade negotiators and policy-makers and the executive to ensure that trade liberalisation is pro-poor and pro-development.

2. Opening and Presentation

2.1 The TDP Volume I was released by Hon. Given S. Lubinda, Member of the Zambian Parliament. He said he was greatly honoured to release a book which had experiences on his country, Zambia, which has liberalised itself more rapidly than any other African country. He implored CUTS to ensure that the book was disseminated to relevant stakeholders such as parliamentarians, who have the mandate to ratify trade agreements.

2.2 Atul Kaushik, Advisor (Projects), CUTS International said that CUTS recognises the role that civil society organizations (CSOs) can play in shaping the global environment for pro-poor trade and development policies and was committed to building their capacity to play that role. He noted that it was *inter alia* due to that commitment CUTS implemented the project with the aim of drawing lessons that could be used by CSOs and other relevant stakeholders to lobby their trade negotiators and policy-makers and the executive to ensure that trade liberalisation is pro-poor and pro-development.

2.2.1 Although, UNCTAD XI at Sao Paulo had identified policy space as a major mandated programme of action for the development of poor countries, the term had since become rhetoric as little grassroots work emanated from that mandate. What the term meant for the poor had been brought out clearly in the TDP book. He said that the TDP book had been peer reviewed by renowned scholars and it would be useful for the participants to acquaint themselves with the lessons contained therein.

2.3 The main findings of the project were presented by Selim Raihan, Associate Professor, Department of Economics, University of Dhaka, Bangladesh and a co-editor of the book along with Mohammad A. Razzaque, Economic Adviser at the Economic Affairs Division of the Commonwealth Secretariat. He said that the subject on trade-poverty linkages was a burning concern for many scholars. The findings of the TDP project have been documented in two volumes and Volume I contains macro-findings at the overall country level. The second volume will contain more specific findings on selected sectors in the respective project countries.

2.3.1 He said that trade and development linkages were far from being uniform; they are so diverse that the general relationship has remained a subject of regular empirical scrutiny. Hence, the main objective of the CUTS-TDP Project was to study country cases and understand the nature and dynamics involving TDP linkages. A major finding was that trade impacts poverty through growth and income distribution but what continues to elicit more controversy was the theoretical link between trade liberalisation and growth. Even empirical evidence is inconclusive. He said that since trade-poverty relationship is complex, there cannot be a one-size-fits-all liberalisation prescription for all countries as is the case currently in many regional and multilateral trade agreements.

2.3.2 In conclusion, he said that, notwithstanding the difficulty in determining whether liberalisation is good or bad for developing countries, the following are important lessons.

Ownership of a policy regime is important, which should be a home-grown initiative and informed by the needs of individual countries.

Liberalisation alone cannot promote higher export response nor can export growth alone impact poverty. Priority for future reforms may not be mere tariff cuts but more fundamental in nature, and if trade were to impact poverty, an effective distributive policy would be a must.

Certain critical macro-economic reforms and relevant financial institutions are required to ensure that liberalisation yields benefits to a country and its poor population.

Although there is need to diversify economies, a dynamic agricultural sector is the most crucial for the development of many developing countries.

Trade reforms do not generate supply-side capacity automatically. Policy space is critical for the development of poor countries by giving them options to develop their supply-side capacity; however, policy space must be used carefully to achieve this.

Relationship between growth and poverty reduction is not automatic; it requires pro-active policy decisions; policy space can be used to generate such pro-active policy choices. In the absence of pro-active initiatives growth could bypass the poor.

Development of domestic productive capacity is more important than liberalisation, but developing countries must also strive to take advantage of a liberalised trade regime.

While trade policy is a fundamental component of development strategies, there are wide deviations on impact among countries as the same set of policies produces dramatically different results. This implies that 'one-size-fits-all' philosophy has failed to deliver and blind replication of one country's experiences does not work. This conclusion seemed to suggest a shift from the hitherto orthodox route to dealing with developmental problems through heterodox approaches.

A development-friendly international trade regime is important for promoting trade-development-poverty linkages in poor countries. However, trade-poverty linkages require analytical policy regimes capable of identifying structural weaknesses on which to focus reforms.

3. Discussions

3.1 From the presentation and subsequent discussions several concerns and questions emerged. The key ones are as follows.

What are the variables used to determine whether trade liberalisation affects growth and poverty reduction? The main variable was export-GDP ratio but while a country may have higher export-GDP ratio it could have one of the highest tariffs than those countries which experience lower export-GDP ratio. It was also noted that countries that grow fast tend to experience rising export-GDP ratios but that does not mean that they experience higher reductions on poverty. Even where a country experiences an increase in its trade-GDP ratio as well as a drastic fall in poverty over the same period, statistical analyses have found no evidence in relationships between the two indicators. A classical case was Vietnam, which experiences higher export-GDP ratio than China but has lower poverty reduction compared to China. Therefore, it was difficult to determine whether a country was open or closed as most existing methods have some flaws in them.

What sorts of institutional reforms are needed for trade to bring about growth and poverty reduction? A major institutional reform was the issue of subsidy provision and reforming the distributive institutions to ensure that benefits from trade directly accrue to the poor.

What are the issues holding back these countries from growth following liberalisation? What explains the reason why certain liberalisation models stifle economic growth in one country and promotes it in another country that makes these case study experiences very divergent? Direct relationship between trade and poverty is too complex to determine. However, what could explain success in some and failure in others has mainly to do with whether a particular model of liberalisation has been internally-driven or externally-imposed. Where liberalisation was domestically-led, like in the cases of China and Vietnam, the results have been positive unlike where the policy was externally-imposed.

This study should be presented in all CUTS country offices and in each case country. Can this study be shared with parliamentarians? This question was answered that CUTS is on the job trying to garner funds to disseminate the book as widely as possible as also to extend the scope of the study. CUTS would launch another study trying to look at the trade regimes of more countries.

What is the role of governance in explaining the mishap in the growth and poverty reduction relationship? The study did not have governance as an objective although the findings elicit interest in determining whether governance could be a factor in explaining the missing link.

Which sectors are the poor active in, and which sectors are active in international trade? Whatever be the case, the primary link should be employment generated in any such sector and the quality of that employment.

3.2 Some other observations were as follows.

Two participants, one from Bolivia and another from Nigeria, were quite emphatic that the TDP study and its findings are to be disseminated much widely. Both emphasised the need to market the study and its findings extensively beyond Eastern and Southern Africa (ESA) covering West Africa and South America to better inform the relevant stakeholders on the liberalisation debate going on in the world today. On the same note, another participant from Ghana said that since the study left out a wider section of Africa: Central, West and Northern Africa, it would be too general to use its findings conclusively for Africa. He underscored the need to extend the study to other parts of Africa so that researchers and civil society representatives can have a one-stop-shop for information that explains what happens in Africa due to trade liberalisation.

One participant from the Ministry of Foreign Affairs, Sweden praised the CUTS-TDP work as a tour de force and emphasised that, perhaps, it would also be interesting to consider the linkages between aid for trade, development and poverty reduction – the work which he said he was currently undertaking and would be happy to share findings.

It was mentioned that the study does not have a gender dimension. It was responded that the TDP Volume I was a macro study. Gender dimension will be captured *albeit* not that holistically in the forthcoming volume which contains sectoral studies.