



**United Nations
Conference
on Trade and
Development**

Distr.
LIMITED

TD/L.384
17 June 2004

Original: ENGLISH

Eleventh session
São Paulo, 13–18 June 2004

HIGH-LEVEL ROUND TABLE ON TRADE AND POVERTY

14 June 2004 – Summary prepared by the UNCTAD secretariat

Main focus

1. Poverty is associated with unexploited productive potential, inequalities within countries and in the global economy, and also non-inclusive national development processes. Making trade work for poverty reduction thus needs to address the problems both of the poorest countries, particularly the least developed countries (LDCs), and of poor people. If current trends continue, there will be an unacceptable increase in poverty, particularly in the poorest countries.

The MDGs as a Global Compact

2. In order to achieve the Millennium Development Goals, there is an urgent need to implement the “global bargain” whereby developing countries integrate these goals, and in particular poverty reduction objectives, into their national development strategies, and the developed countries provide a fair and just enabling framework and the necessary resources. The global bargain implies work on multiple fronts, including market access and debt relief, increased and more effective development assistance, better governance, and the engagement of all stakeholders, including the private sector and civil society. Whilst developing countries themselves have the primary responsibility for poverty reduction, there is an upper limit to how much they can achieve without appropriate international policies, and in the presence of oppressive barriers. International trade is an essential component of the comprehensive set of global reforms that are required. Nevertheless, there should be no substitution of aid for trade. Rather, the question is how to make trade and aid mutually support each other, and how to use aid more effectively for trade.

National policies

3. No country has been able to tackle poverty without increased trade because trade is essential for economic growth. But whether or not trade expansion leads to poverty reduction depends on the effects of trade on productivity growth and on the way in which income increases associated with trade expansion are shared. The employment dimension is at the heart of the relationship between trade and poverty. Adequate linkages between export sectors and the rest of the economy are also vital. Thus trade policy must be integrated as a component within a national development strategy.

4. Much progress has been made in terms of implementing adjustment programmes. But trade liberalization by itself is no panacea for poverty reduction. There is a need for double mainstreaming of both trade and development into poverty reduction strategies as part of a development-led approach to trade. Many things have to be done right in order to link trade expansion with poverty reduction. Policies that were suggested as important included the following: increased investment in education; promotion of domestic market integration; better governance; “corruption-free zones”; respect for human rights; redistributive policies such as Brazil’s Bolsa Familia; access to land; attention to food security; social safety nets; increased physical and social infrastructure; trade facilitation; improvement of supply capabilities; and support for local production clusters. Within economies dependent on one or two primary commodities, the critical task is diversification. In all countries it is important to realize that social development is a condition for economic development as it creates both citizens and consumers.

International policies

5. Increased market access for products made, and services provided, by poor people and in poor countries is important for poverty reduction. In the context of increasing global competition, preferential access to rich country markets for the poorest countries remains relevant. It can be improved through greater stability, predictability and longevity, irreversibility of preferences and increased flexibility of rules of origin. However, market access alone is not sufficient for making trade work for poverty reduction because of limitations in supply-side capabilities.

6. A doubling of aid is necessary in order to achieve the halving of poverty. There is also a need for more efficient use of development aid. A sine qua non for this is full ownership of development processes by the developing countries. Within LDCs in particular, increased aid should be devoted to developing productive capacities. Current trade-related technical assistance and capacity-building must be scaled up substantially. There should be a massive increase in investment in both infrastructure and human capital.

7. The successful completion of the Doha Round is a prerequisite for all. The reduction of agricultural support measures in OECD countries was highlighted as essential, given the dependence of poor people on agricultural livelihoods. Sugar, rice, dairy and cotton were key crops where immediate progress was vital. The commodity problem should be regarded as the next major front to be tackled by the international community in its efforts to reduce poverty. The potential of South-South trade and cooperation is an under-exploited vehicle for poverty reduction that must be more fully utilized in parallel with the multilateral trade agenda. South-South trade should be seen as a complement rather than a substitute for market opening by developed countries.

Successes and proposals for the future

8. Although the challenge of poverty reduction was grave, successful cases were presented which illustrated that much progress could be achieved over a short period of time, within both countries and local communities. There was a need for creative policy thinking, and proposals for the future included social impact studies that assess the impact of trade agreements on poverty; the application at an international level of national adjustment measures, such as the United States Trade Adjustment Act; a compensatory financing facility for the erosion of preferences; and an international commitment to create a world of zero hunger. Although not enough is yet known about the complex linkages between trade and poverty, UNCTAD’s *Least Developed Countries Report 2004* has made a very significant contribution. Work on this subject by UNCTAD should continue so as to enable Governments to better use trade as a tool for poverty reduction.
