



UNCTAD XIII

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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SPECIAL EVENT

TRADE AND POVERTY REDUCTION: THE MISSING LINKS

22 APRIL 2012, 10.00 a.m. – 1.00 p.m.

BACKGROUND

Considerable progress has been made in the reduction of absolute poverty in developing countries, particularly in the two decades prior to the onset of the recent global financial and economic crisis in 2008. While the majority of this reduction took place in Asia, especially China, many other developing countries that had been locked into low or negative rates of growth in the two decades up until 2008 were also able to achieve sustained economic growth as well as some reductions in the incidence of poverty. For example, the average economic growth rate for the least developed countries (LDCs) between 2001 and 2008 was 7.1 per cent, while five LDCs managed to maintain an annual growth rate of over 9 per cent for more than five consecutive years. The major driving force behind this growth was increased demand for commodities by emerging economies in Asia, which created opportunities for new investments and rapid expansion in South–South trade.

However, despite record high growth rates and impressive trade performance, a large proportion of citizens in the developing world, and particularly in the LDCs, still live in extreme poverty. In 1990, only 18 per cent of the extremely poor were living in LDCs. By 2007, that share had doubled to 36 per cent, while the share of China and India combined dropped from 61 per cent in 1990 to 42 per cent in 2007. The bulk of the reduction (about 90 per cent) in the latter two countries was achieved by China. Given current trends in poverty reduction and population growth, it is likely that by 2015 the number of the extremely poor living in LDCs will be some 439 million – making the LDCs the major locus of extreme poverty in the world.¹

From these trends, it is evident that the current development model, which advocates rapid integration into the global economy through trade liberalization, has neither enabled poor economies to reduce poverty, nor resolved their basic economic and structural problems. This is despite the fact that the poorest countries in the world are more open and integrated into the international trading system than the advanced economies. The average level of trade integration of the LDCs, measured by the ratio of exports and imports of goods and services to GDP (which is often used as a measure of “openness”), has actually been higher than that of the advanced economies since the early 1990s. Indeed, the LDCs, as a group, currently have a trade regime that is more open than that of other developing countries, and one that is as open as those of high-income OECD countries.

It seems, therefore, that the persistence of mass poverty in the LDCs is not due to lack of integration into the global economy, insufficient trade liberalization or insufficient policy reforms, but is rather the consequence of underdevelopment and the failure of these countries to promote structural transformation, build productive capacity, and create productive employment at the national level. UNCTAD has repeatedly argued that the premature and rapid trade liberalization that many low-income developing countries were encouraged to undertake in the 1980s and 1990s led to de-industrialization and a form of integration that intensified their dependence on and vulnerability to external markets. This implies that the view held by some, that the problem of poor economies is their lack of integration into the global economy, does not correspond to reality. Nor can we continue to assume that the link between international trade and poverty reduction is automatic.

¹ UNCTAD (2011). Least Developed Countries Report, page 32.

The countries that have benefited the most from trade liberalization and have experienced the largest reductions in absolute poverty are those that have opened their economies moderately, gradually and in line with the development of their productive capacities, and have made progress towards structural transformation. These are countries that viewed the development process as one of structural change and transformation, rather than simply viewing it on the basis of economic growth performance.

In agriculture-based economies, structural change would entail a transformation that shifts economies from low-productivity and low-technology paths of development to technologically dynamic and skills-intensive paths. Thus, in Africa and the LDCs, the design of such dynamic growth paths must involve improving agricultural productivity and boosting non-farm economic activity in rural areas in such a way as to generate jobs and provide incomes and livelihoods for the rural poor. In this respect, the role of the State becomes critical, both in charting the policies and strategies needed to promote structural change, and in mobilizing the domestic and foreign resources that are needed to build the basic infrastructure necessary for the realization of structural transformation.

PURPOSE

The event will bring together ministers, senior policymakers and other government officials from developing countries and LDCs, to identify the missing links in the trade-poverty nexus and to share their experiences in designing and implementing policies for inclusive and sustainable development. The central questions to be addressed include the following: How can trade be made to work for poverty reduction? What is needed to forge a positive relationship between trade-led growth, and poverty reduction and inclusive development? Is there a single policy approach to achieving structural transformation, or will the process differ from country to country depending on the initial conditions, social structures, resource endowment and institutional frameworks? Does the South, as a market, have the potential to provide low-income developing countries with greater opportunities to transform their productive structures and to move to more sophisticated export sectors than the Northern market does? Recent UNCTAD studies on a group of developing countries, primarily in Africa and the LDCs, showed that these countries' exports within the South were relatively more sophisticated and better connected in the product space than their exports to the North. Is this sustainable?

OUTCOME

A summary of the deliberations and the key areas of concern identified by the policymakers will be prepared by the UNCTAD secretariat. This summary will be then used as a basis for reformulating UNCTAD's research and analysis work in the areas of trade and poverty reduction.

ORGANIZATION

This Special Event is organized as an interactive dialogue between ministers, experts and practitioners. Each panellist and discussant will be invited to speak for 10 minutes; this will be followed by an interactive debate and exchange of views.

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