

Trade and Development Commission

18-22 May 2015

Opening Statement by Mr. Joakim Reiter, Deputy Secretary-General, UNCTAD

“Unleashing the power of trade”

AS PREPARED FOR DELIVERY

Mr. Chair,
Distinguished delegates,
Ladies and Gentlemen,

Good morning and welcome to the seventh session of the Trade and Development Commission.

Two weeks ago, I had the opportunity to listen to a great speaker expressing the commitment of his brave nation to international trade. The man is Axel Addy -- Minister of Commerce and Industry; and the nation is Liberia – an LDC recovering from a history of horrific civil war, and now a devastating health crisis.

There are many reasons why trade is important for Liberia, but Minister Addy summed them all up in one powerful phrase. In doing so, he explained not only why trade is important for his country, but to any country in the world. He said: “For us trade matters, because people matter”. This is it: We should not care about trade for the sake of trade, but because the power it has to transform the lives of our peoples and their standards of living.

In fact, trade is so omnipresent that, at times, we tend to forget that it is there. But it is. Trade is one of the driving forces behind cities turning into industrial centers, behind the diffusion of technologies and innovation; behind many of the new skills people acquire; behind job creation and rising wages; and, importantly, behind poverty reduction. More mundanely, trade is probably behind most of the clothes you all are wearing today, the computer or tablet on which you will write your reports from this meeting, or even perhaps the fact that you are here.

And yet, probably the most powerful aspect of trade is hidden. Trade impacts how we use our time. Trading with others, be it a neighboring country or a far-away nation, gives us the opportunity to rely on others for some or most of the goods and services we enjoy. And that reliance on others, in turn, allows even the poorest nations in the world to have more choice and a standard of living that would be unimaginable in an autarky.

It is this power to transform the lives of people that gives trade such an important role in development policy.

Ladies and Gentlemen,

2015 is supposed to be a decisive year for development.

We are about to define the contours of the world we want by 2030. The finance for development conference, the SDG summit, the WTO Ministerial Conference and COP 21, are all part of our efforts to set the compass for the future.

But setting the compass is not enough. We need the means to get where we want. And trade is one of the key engines to help us getting there.

In this context, and the context of the items of this Commission, I would like to share with you three points that, in my view, are important to unleash the power of trade in the post-2015 era.

My first point is this: we need to **understand that trade is much more than the global rule-book or the development of new global rules.**

The multilateral trading system and its rules are crucial for predictability. These rules work as an insurance policy against protectionism and ensure a basic level playing field for smaller economies.

But reducing trade to the Multilateral Trading System and its normative process is dangerous. It risks converting a means into an end. Let me give you an example.

Under the Millennium Development Goals, trade was confined to Goal 8 and mainly referred to as a matter of market access and tariff reduction under WTO. It seemed as if all we had to do was to conclude the Doha Development Agenda and provide duty-free/quota-free access for LDCs.

Of course, those two targets are important, but they also had at least three unfortunate consequences:

- First, it missed the reality of trade as it has developed over the last two decades. Just to name two issues: The importance of services, and trade in services, for sustainable development was not correctly captured; also, the fragmentation of production, rise in regional and global value-chains and its implication for development prospects were ignored;
- Second, it missed the reality of trade measures, especially of importance to developing countries. For example, the growing relevance of Non-Tariff Measures - including market-driven measures - and their economic impact on the origin, price and quantity of goods traded was out of the picture. Similarly, it overlooked the growing need to support poorer countries and their exporters to meet increasingly complex regulations in mature and emerging markets; and
- Third, it missed the reality of *where* improvements of trade and trade measures predominantly take place - and should take place: Most major strides to improve trading conditions, during the last decade, were made at national level. With the growing overlap between trade policy and other policy areas, this is likely to continue to be the case for the future. In addition, we have seen a major surge in bilateral and regional integration.

Therefore, reducing trade to the multilateral system will constrain its power; a luxury we cannot afford in the post-2015 era.

This brings me to my second point: **focusing on areas to reduce the cost of trade** and thus enhance its power.

We need to pay more attention to trade facilitation, non-tariff measures and services. Trade Facilitation, in its broader sense, transport and port management, is an area where UNCTAD has worked on for a long time. We will also continue to work hard to help countries implement, and make the most of, the much celebrated new Trade Facilitation Agreement in WTO. This is

essential in today's trading environment where reliability, speed and cost efficiency are ever more crucial. No country can afford to be the weakest link in global and regional value chains.

But trade facilitation, and the customs reforms that it implies, is still largely a traditional trade policy issue. For our generation, and future ones, Non-Tariff and Regulatory Measures - far beyond border measures and for both goods and services - is the area where significant "home work" remains. Even if these measures could have legitimate non-trade objectives, many NTMs have significant restrictive and distorting effects. They alter the price and quantity of traded goods and services. But they can also frustrate markets access altogether.

On average, the negative effects of NTM, in terms of restricting market access, is at least more than double that of tariffs. While eliminating Sanitary and Phytosanitary Measures, Technical Barriers to Trade and other regulatory measures is not an option, convergence is necessary to reduce the additional costs imposed on trade. We must be better at *inter alia* aligning to international standards, increasing the use of equivalence between trading partners and mutually accept test reports and certificates of conformity. Similarly, we should improve assessments of trade impacts of domestic regulatory measures, enhance transparency and due process in regulatory decision-making and ensure that markets remain competitive no matter the regulatory action needed.

This leads me to my third and last point: **inclusiveness**.

Trade is only inclusive if it creates broad-based benefits. And this requires complementary policies.

Let me give you two examples to illustrate my point.

First: Trade openness normally increases competition, resulting in enhanced firm productivity, lower prices, and more and better products. This clearly benefits consumers. However, anticompetitive practices, such as cartelization or predatory pricing, can revert the gains from trade. This may create the feeling among consumers that something is wrong with trade. But the problem lies somewhere else: in the absence of competitive market conditions and an effective competition policy.

Second: The blessing of trade lies in its transformational powers. If no transformation, no benefits. But transformation, in itself, will hurt some. Trade produces winners as well as losers. So if trade is to be inclusive, we need to compensate the “losers”.

All countries will have to figure out what particular policy mix may be most effective to this end. But doing nothing should not be an option. In order to maintain wide-spread political support for trade, especially in the face of slow recovery and persistent high unemployment following the financial crisis, we need to find ways to help those workers negatively affected by trade, to get back on their feet and reintegrate into the labor market. Similarly, since the new Sustainable Development Goals aim at eradicating poverty, we also need to combine trade with policies that specifically target poorer and more vulnerable groups. For instance, it is critical to mainstream gender in policymaking to ensure that trade reduces and not exacerbates gender inequalities. The same can be said about income inequality and disadvantaged minorities.

Inclusive trade must be put at the service of all: rich and poor nations, just as rich and poor people. But governments need to make better use of the complementary policies to make trade this force for good for all.

Ladies and Gentlemen,

Setting and implementing the post-2015 agenda will be a challenging task. Trade is a powerful means in this endeavour. And you, through your deliberations, are key in enabling that trade plays its rightful role in the Post-2015 era. In the end, as the Liberian Minister stated: “trade matters, because people matter”.

Thank you very much.