



International
Trade
Centre

REMARKS BY THE EXECUTIVE DIRECTOR OF
THE INTERNATIONAL TRADE CENTRE AT
UNCTAD TRADE DEVELOPMENT BOARD
MEETING

ITEM 7: EVOLUTION OF THE INTERNATIONAL
TRADING SYSTEM AND ITS TRENDS FROM A
DEVELOPMENT PERSPECTIVE

11 SEPTEMBER 2017

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It is a pleasure to be back here at the Trade and Development Board along with ITC's Geneva Trade Hub partners, UNCTAD - thanks for the invitation Secretary-General Kityui - and WTO.

Let me start by commending the UNCTAD secretariat team for the background document prepared for this session. It provides a comprehensive overview of recent trade trends, both positive and less so, while outlining the challenges and opportunities facing developing countries seeking to use trade to achieve the United Nations Sustainable Development Goals.

Ahead of today's meeting, the organisers had asked about the perceived fragility of the international trading system, and how recent trends in trade had affected our respective institutions.

This question is a bit different for the International Trade Centre than for our parent organizations.

ITC is, first and foremost, an organization that operates on the ground. Our mandate is to enable businesses to make the best possible use of international market conditions. Adapting to changing market conditions – in other words, dealing with markets as they are, not as we would like them to be – is part of our DNA. We are not a rule-setting organization. Our work does have an analytical component, but it is designed directly to enhance the impact and efficiency of our projects, and to equip governments and other actors with the information they need to help micro, small and medium-sized enterprises (MSMEs) become more competitive internationally.

That said, the entrepreneurs we work with tell us they are concerned about the prospect of shrinking value chains and rising trade barriers. They are right to be worried. Recent research on the trade slowdown suggests that arm's length suppliers to international value chains were especially vulnerable to the

crisis and its aftermath, as well as to current policy uncertainty. Intra-firm trade has held up more robustly.

To the extent that the international trading system looks in danger of disintegration today, it is primarily because of a backlash in some advanced economies against economic globalization.

This backlash owes something to anxieties arising from the rising economic and political clout of developing countries. But it is in great measure the result of a generation-long political failure: domestic policies have not ensured that the gains from trade and growth were more widely shared. Economic models clearly predict that trade hurts some people while benefiting societies as a whole. In too many places, however, some groups have borne nearly all the pain of adjusting to technological change and to less extent to trade, while the biggest gains have accrued to too few.

We in this room know that if protectionist rhetoric is translated into reality, it would diminish prospects for trade-led growth, especially in developing countries. It would cause economies at all income levels to miss out on the productivity gains that trade makes possible by allowing for increased specialization and scale. Closing markets would lower growth potential, and it is highly probable that slower growth, with fewer job opportunities, would make for politics even uglier than what we are seeing today.

In sum, making trade work for the 99% is more important than ever, in the world's poorest countries and its richest. This is a moral necessity and necessary for meeting international targets. But is also a practical imperative: growth needs to be inclusive, or else, as recent events show, anti-growth policies will grow in popularity.

Inclusive, sustainable growth is at the heart of the UN Global Goals. The SDGs are well-known for seeking to eradicate extreme poverty by 2030. But it's also important to remember that the SDGs aim to boost incomes for people in the bottom 40% in all countries.

Eradicating extreme poverty gets more attention, since it not long ago seemed an unattainable dream. But the income growth target matters too. Evidence suggests that even as extreme poverty and income inequality are decreasing, the proportion of the world population earning less than half the global median income has risen. Put differently: the global median income is rising, which is a good thing. But a growing number of people are being left behind relative to it. It's not difficult to imagine how this might carry the seeds of future instability.

Maximising trade's contribution to inclusive growth is at the heart of ITC's mandate. It's why we focus on micro-, small and medium-sized enterprises. MSMEs are the key to inclusive trade. The reason why is straightforward: jobs and incomes are how most people either share – or don't share – in economic growth. MSMEs account for about 70% of jobs and over nine out of every ten businesses. Because the productivity gap between large companies and smaller ones is especially wide in developing countries, it means wages and working conditions are substantially worse for large sections of the workforce, particularly for women and young people. More productive MSMEs translate to better paying jobs in the segments of society that most need them.

Trade is a critical part of this story. Why? Because when MSMEs are able to 'internationalize', whether directly or by tapping into multinational supply chains, they register particularly high productivity, employment, and wage gains. Young MSMEs that manage to break into international markets are far likelier to thrive and expand. If enough companies are involved in trade,

rising incomes in these firms in turn put upward pressure on wages in the rest of the economy.

Unfortunately, MSMEs are underrepresented in world trade. That's why ITC works to empower more MSMEs to trade, especially in LDCs, small and vulnerable economies, landlocked countries, and fragile states. When successful MSMEs are run by women or young people, the socioeconomic dividends are especially large. That's why we place particular emphasis on connecting women- and youth-owned businesses to markets through our SheTrades and youth programmes. It's why we support governments to build trade strategies that take into account gender and environmental implications while tackling the bottlenecks impeding export success in promising sectors.

Equipping more MSMEs with the tools and policy environment they need to trade would foster job creation and inclusive growth. The 2030 agenda has recognised the importance of MSMEs. At ITC, we have aligned our entire project portfolio with the ten SDGs we directly support. Foremost among the ten are Goal 8, decent work and economic growth, and Goal 17, namely partnerships for the SDGs, followed by poverty elimination and gender equality.

There is much that the policy and business communities can do to help MSMEs start up and trade. I want to walk you through one concrete example that ITC is currently working on in partnership with UNCTAD and the WTO: the MSME Trade Helpdesk, which we are planning to launch at the WTO Ministerial Conference in Buenos Aires this December.

Information matters for companies seeking to trade across borders. ITC's surveys of more than 20,000 enterprises in 38 developing countries have found that "information transparency issues" are among the biggest obstacles faced by

would-be traders. Before companies can seize international opportunities, they need to understand where they are, and what they need to do for market entry. The cost and effort of accessing information about market trends and tariff and non-tariff barriers weighs heavily on smaller firms, especially from poorer developing countries. This is why market intelligence has been at the center of ITC's work since day one in 1964. Our suite of market intelligence tools have over 600,000 registered users, and enabled an estimated \$300 million in trade transactions last year. But we think we can do even better.

The MSME Trade Helpdesk will be a one-stop shop for prospective traders with an easy-to-use online interface.

Imagine you're a Bangladeshi shrimp producer seeking to export to France.

On the Helpdesk, you will find information on EU duties. (Since Bangladesh is an LDC, you will benefit from duty-free preferential access, compared to the MFN over-quota tariff of 12%). It will tell you about relevant taxes, such as France's 20% VAT. It will provide you information about European health and safety standards for your product, the regulatory agencies you'll have to deal with, and fees you will have to pay. It will give you step-by-step explanations for trade-related procedures, paperwork and documentation requirements.

And because meeting market entry requirements is only half the battle – you also have to find willing customers – the MSME Trade Helpdesk will tell you about upcoming trade fairs and related B2B events.

In addition, the MSME Trade Helpdesk will provide information on market trends and actors. What are the most attractive markets for my product? Where

are other businesses in my sector sourcing inputs? Who are the companies importing what I sell or exporting what I buy? The Helpdesk will have answers, drawing on cooperation from a network of businesses, business associations, and chambers of commerce.

Access to information is just one way businesses, governments, and international agencies can work together to lower the obstacles facing MSMEs in world markets. There are other ways to reduce fixed costs related to trade. Implementing the WTO Trade Facilitation Agreement is one. Another is for big businesses to help small-scale suppliers meet the costs of complying with international standards.

Before closing, I want to stress a point very much in keeping with the spirit of this Trade and Development Board. Economic rules, trade policy included, are critically important, but they cannot solve development challenges by themselves. They need to be complemented with other support policies. For example, the WTO rulebook supports development more effectively when accompanied by Aid for Trade, and by national social policy and skills-building.

On environmental sustainability, nothing can replace national and international rules that price in environmental externalities. But complementary initiatives to help MSMEs produce more sustainably can make a material difference. ITC's Trade for Sustainable Development Forum later this month will focus on practical action to build sustainable supply chains. Please consider all of yourselves invited.

Finally, to help MSMEs make the most of regional and multi-regional value chains, accompany regional trade agreements with cooperation among trade promotion organisations, business associations, and other trade and investment

support institutions. This is one of the lessons to emerge from the third edition of ITC's flagship research report, the SME Competitiveness Outlook, which will come out next month. The report will include new econometric analysis on the relationship between deep regional agreements and value chain trade. It sheds new light on how best to bolster the competitiveness of MSMEs in a world where some regions are intensifying trade and investment integration, even as others step back from it.

In conclusion, MSMEs are central to making trade, and growth, more inclusive and more sustainable. There is much we can do to help MSMEs use international markets to generate the hundreds of millions of decent jobs needed to achieve Agenda2030.

ITC looks forward to working with you.