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Trade and poverty reduction: the missing links

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Summary prepared by the UNCTAD secretariat

Trade and poverty reduction: the missing links

1. This panel discussion was chaired by Mr. Taffere Tesfachew on behalf of the Secretary-General of UNCTAD, and was moderated by Mr. Cheick Sidi Diarra, Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. The panellists were Ms. Siti Kassim, Minister of Employment, Comoros; Ms. Heidi Hautala, Minister for International Development, Finland; Ms. Dorcas Makgato-Malesu, Minister of Trade and Industry, Botswana; Mr. Pan Sorasak, Secretary of State, Cambodia; and Mr. Ransford Smith, Deputy Secretary-General, Commonwealth Secretariat. The lead discussants were Mr. Tony Addison, Deputy Director, United Nations University World Institute for Development Economics Research; and Ms. Nada Al-Nashif, Assistant Director-General and Regional Director for the Arab States, International Labour Organization.

2. The event brought together ministers, senior policymakers and other government officials from developing countries and least developed countries (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 that were addressed were 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?

3. The panel recognized that the benefits from trade were not automatically transmitted to all countries. They were subject to several factors, including lack of structural transformation, weak productive capacity, and failure to generate productive employment. Botswana, the first country to graduate from the LDC category back in 1994, served as an example of a government that had sought to move its policy target away from poverty alleviation and towards poverty eradication in the short-to-medium term. Moreover, panellists noted that, in spite of structural limitations and challenges, some countries (e.g. Cambodia and Comoros) had made notable efforts to capitalize on their potential and successfully engage in international trade. However, this had not automatically led to poverty reduction, and had left most of the LDCs – notably agricultural producers – caught in a trap.

4. The panellists shared the view that agriculture- and resource-dependent countries needed to implement prudent economic and fiscal policies to be able to self-finance their public expenditure programmes, and to be able to face external shocks. In addition, the revenues generated from international trade were crucial for the implementation of social-protection and employment-generating policies. The panellists agreed that social equity and specific job-creation policies should be at the heart of development policies.

5. With regard to the role of development partners, the panellists argued that accountability needed to be increased where development-related assistance was concerned, and that the role of Aid for Trade needed to be expanded to include support for regional trade networks and technology transfers. In addition, developed-country partners were called upon to enhance their support for the Aid for Trade initiative, with the aim of building productive capacity and reducing income inequality. Some developing countries argued for the need to select their development partners independently and according to their specific needs.

6. All panellists agreed on the need to engage the private sector in the creation of decent jobs, with a view to liberating LDCs from aid dependency. Multiparty democracy and good governance were identified as key factors in sound, inclusive, development-oriented trade policy.

7. A common understanding emerged on the need for further research to highlight the types of poverty and to identify the various social groups that were likely to be affected differently by trade policy – particularly vulnerable groups such as women, youth and rural workers. The contribution of the fast-growing trade among Southern partners to the development prospects of LDCs would likely be greater in the future as some countries moved up the value chain, leaving more opportunities for other Southern partners to diversify their production and export base.

8. The secretariat indicated that it would further develop the policy conclusions that had emerged from the panel discussion, and that these would be part of its research agenda on trade and poverty in LDCs.
