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Ministerial round table: Making trade work better for Africa and the least developed countries – how to ensure that trade is inclusive and pro-poor

Summary prepared by the UNCTAD secretariat

1. During this round table, most panellists agreed that international trade could be a mechanism to help lift people out of poverty – as had occurred in several least developed countries (LDCs) in Asia – yet this mechanism had, to date, not been as effective in most countries in Africa and in LDCs. These countries had, since 2000, achieved the fastest economic expansion of gross domestic product in a 30-year period. At the same time, their share of international trade had expanded rapidly, as a result of higher commodity prices and efforts by the international community to integrate them into the international trading system. However, the growth in their exports had been achieved with increased commodity dependence, a limited incorporation of value added, higher levels of product concentration, the rising importance of low value-added products and a limited integration into global value chains. Therefore, the external vulnerability of these economies had intensified.

2. Such features of the growth of exports reflected, in turn, the productive structure in Africa and LDCs. Productive capacities had not always been adequately or sufficiently built, due to structural constraints such as limited human capital, a lack of infrastructure (especially related to transport and energy) and inadequate access to financing by producers. Consequently, structural transformations of economies – a precondition for competitiveness in international markets – had not yet been achieved. Most panellists noted that in Africa and LDCs, strong gross domestic product and trade growth had been accompanied by merely a slow reduction of poverty and, in many countries, inequality had worsened. Such developments showed that trade growth did not automatically lead to poverty reduction.

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3. Several panellists emphasized that ongoing processes in the international trading scene had had an impact on the trade–poverty nexus in Africa and LDCs. There had been a strong reduction in market access barriers to their exports, due to preferential trade measures. However, one panellist stated that, in most instances, market entry had not been accomplished. Another panellist noted that the process of the international fragmentation of production might have reached its limits, which undermined the trade–growth nexus and limited the capacity of LDCs to integrate into global value chains. Consequently, LDCs were unlikely to meet the targets of economic growth, trade expansion and graduation specified in the Programme of Action for the Least Developed Countries for the Decade 2011–2020.

4. The panellists broadly agreed that in order to establish a trade–growth–structural transformation nexus in Africa and LDCs, policy actions in a number of areas needed to be taken, as detailed in the following paragraphs.

5. First, South–South trade needed to be considered, as it provided major opportunities. Regional integration was crucial to creating larger markets, attracting foreign direct investment and building a basis for global competition. It was also a means of aggregating capital at a regional level, to strengthen regional capacity for competing internationally. Building regional value chains was a major instrument in diversifying production and trade, given that intraregional trade had a larger manufacturing share and was more easily accessible to domestic producers. In Africa, the continental free trade area under negotiation pointed in the right direction.

6. Second, intensifying value addition and moving up value chains were key priorities, and were also a condition for employment creation and poverty reduction, as well as aspects of structural transformation that could help lead to graduation from the LDC category. One panellist provided an example of how outgrower schemes established in rural areas in LDCs in Africa had been a means of upgrading the skills of farmers though training and of providing access to finance, building capital bases, upgrading technologies and diversifying production, thereby helping to reduce poverty.

7. Third, the panellists agreed that domestic policies played a crucial role in the contribution of trade to poverty reduction, and that the most important policies related to the following:

- Investment promotion: investment needed to address the serious infrastructure deficit in Africa and LDCs, to allow for better connectivity between production areas and international markets, and to improve the operation of supply chains
- Finance: such policies needed to aim at putting financial sectors at the service of the real economy and ensure the financial inclusion of the poorest
- Building of human capital: States needed to invest in building twenty-first century skills in their labour forces, including information technology-related skills
- Support for small and medium-sized enterprises (as such enterprises generated some 90 per cent of employment in Africa and LDCs)
- Technology
- Competition
- Labour market and social protection
- Enforcement of quality standards to meet international requirements.

8. One panellist noted that it was important to develop labour-intensive sectors, in order to create more jobs. Another panellist stated that building upstream linkages to the commodities sector was a means of creating jobs, fostering enterprise creation, adding value and diversifying both domestic and regional economies. Yet another panellist considered that national trade policy should not focus excessively on exports, and that it was important to adjust import tariffs to ensure the domestic availability of the inputs required to support exports. In addition, another panellist emphasized the need to better implement the results achieved in trade negotiations, such as for the Agreement on Trade Facilitation, which could reduce the costs of doing business. Finally, some panellists noted that policymaking required appropriate statistics that also measured informal sectors and trade, as well as the microfoundations of trade outcomes (such as knowledge and technology diffusion).

9. Fourth, international regimes needed to be amended in order to become more pro-poor, including through the elimination of measures that distorted international agricultural trade and through the strengthening and broadening of special and differential treatment provisions in international agreements. Market entry barriers still needed to be addressed. Several panellists noted that a worrisome trend was the growing focus by major trading countries on megaregional trade agreements, which eroded multilateralism. One panellist stated, however, that a consideration for Africa and LDCs was how to benefit from such agreements. Another panellist noted that while there were several pro-poor instruments (such as mobile banking and impact investment), the best way to reduce poverty was to achieve stable economic growth, which required trade, and that the Aid for Trade Initiative could be instrumental for this purpose, as it was most efficient in the poorest countries and where levels of inequality were greatest. Several panellists agreed that the Aid for Trade Initiative needed to be expanded and better targeted. Donor countries needed to coordinate better, as otherwise the limited administrative resources of recipient countries could become overextended and the efficiency of aid be jeopardized. Finally, several panellists stressed the need for international tax cooperation, to increase the fiscal space of countries in Africa and of LDCs, required for national Governments to be able to finance domestic policies aimed at ensuring that trade was pro-poor.