Fifth session of the Trade and Development Commission
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Opening statement by the Deputy Secretary-General of UNCTAD

AS PREPARED FOR DELIVERY

Mr. Chairman,
Excellencies,
Ladies and Gentlemen,

It is a great pleasure for me to welcome you to the fifth session of the Trade and Development Commission. At the outset, I would like to congratulate you, Mr. Chairman, and your bureau, on your election. I am confident that under your able leadership, we will have a successful meeting.

This year's Commission will focus on two very topical issues, namely the impact of trade on employment and poverty reduction, and the emerging trends in international transport and their implications for development. Allow me to offer some brief remarks on each of these.

The nature of the link between trade, employment and poverty reduction has been gaining renewed attention internationally. This is largely because, despite unprecedented growth in global trade flows, unemployment and poverty remain serious challenges in many countries.

World merchandise trade has increased dramatically over the past decade, rising almost threefold since 2002. Despite the sharp contraction with the global financial crisis, trade flows are now exceeding their pre-crisis peaks, reaching about $18 trillion in 2012. And, developing countries account for an increasing share of this trade. By 2011, almost half of world trade was originating in developing countries (up from about one third back in 2002). Moreover, the composition of developing countries' trade is changing, too. While the bulk of their exports still consists of commodities, the percentage of light manufacturing goods is increasing, particularly in Asia. The past decade has thus witnessed a remarkable transformation in the global economy and in international trade.

At the same time, the expansion in trade flows has not always resulted in higher employment or poverty reduction. Global unemployment increased from 5.5 per cent in 2007 to 6 per cent in 2011. And while some countries and regions in Asia have made phenomenal progress in poverty reduction, achieving Millennium Development Goal 1 five years before the target date, the expansion of trade did not translate into similar poverty reduction results in any other region. Nor did trade lead to significant convergence in global incomes. Between 1990 and 2007, the share in global income of the top 40 per cent only decreased from 95 per cent to 91 per cent, while the remaining 60 per cent increased their share from 5 per cent to 9 per cent. Moreover, income inequality is also increasing within countries. This growth in "domestic" income inequality is partly due to wages for high-skilled workers growing more than those of low-skilled workers, and partly because of rising unemployment.

Against this background, the trade, employment and poverty nexus deserves closer consideration. For a long time, the prevailing view was that the link between trade, job creation and poverty reduction was almost automatic. Today, there is growing awareness that the links are complex, and trade integration alone is not sufficient to achieve these goals. We have outlined some of these complexities in the background paper. Allow me to make just a few points:

Firstly, there is growing evidence in the academic literature that trade *liberalization* or *openness* as such does not necessarily guarantee job creation. A recent study[1] by the International Labour Organization found no correlation between trade liberalization and industrial employment in the period from 1980 to 2006, in a data set that included many developing countries. Similarly, a 2007 study by the Organization for Economic Cooperation and Development[2] also found no correlation between a change in the employment–population ratio and trade openness, between 1995 and 2005.

And yet, it is clear that some countries, for example in South-East Asia, have been successful in creating a significant number of productive jobs in exporting sectors owing to their dynamic trade performances. However, upon closer inspection, it is important to distinguish between trade and trade *liberalization*. Indeed, many of the early industrializing countries that have become successful traders had high trade barriers during their early development stages. Thus, many newly created jobs in South-East Asia, for instance, can be attributed to trade growth, but not to trade liberalization.

But even an expansion of exports is no silver bullet. Many African countries have experienced fast growth recently thanks to a boom in

[1] McMillan M and Verduzco I (2011). New evidence on trade and employment: An overview. In: Jansen M, Peters R and Salazar-Xirinachs JM, eds. *Trade and Employment: From Myths to Facts.* ILO. Geneva: 23–60.
[2] OECD (2007). *OECD Employment Outlook 2007.* Paris.

commodities exports. However, this growth has generally not translated into employment generation and poverty reduction. This is largely because the growth was focused in the extractive industries, which have few linkages with the wider economy. So the impact of integration into the global economy on employment varies, depending on how different sectors are affected.

Particular attention should be paid to whether trade benefits sectors that are labour-intensive, or generates income opportunities for the poor and other marginalized groups. Given that the livelihoods of the majority of Africa's population are dependent on agriculture, the way that trade affects this sector will play a crucial role on its effect on employment and poverty reduction. Another sector that has so far received too little attention is that of services. After all, the services sector accounts for two thirds of world output, and 44 per cent of world employment. Services have also become the largest provider of jobs to women. The sector absorbed 48 per cent of women in the workforce in 2011, as compared to 41 per cent in 2000. Our report provides an assessment of the increasing importance of services trade for employment and poverty reduction.

Based on these observations, rather than relying on trade liberalization to do the trick alone, it would seem that an export-led strategy combined with the development of productive capacity in higher-value added goods in agriculture, manufacturing and services offers greater potential for job creation and poverty reduction. To complement these efforts, governments would need to increase investment in education, training and skills development. As a country then progresses up the development ladder, it can calibrate its degree of trade liberalization with the need to build competitiveness. Eventually, it will be important for the country to access high-quality inputs and technologically advanced capital goods, and trade liberalization may facilitate such access.

Finally, it should be emphazised that trade policy is only one of many tools to address employment or poverty reduction concerns, and it is by no means the best. If employment creation or poverty reduction is the overarching objective, there are several more efficient policy interventions at the national level. For instance, improving the productivity and efficiency of agriculture in low-income commodity-producing countries may help create many job opportunities. And higher wage income and better food security are valid poverty reduction tools. But trade policy, if calibrated correctly, can contribute to achieving these goals, and I look forward to a lively debate on how to strengthen the link.

Ladies and Gentlemen,

The second substantive focus of the Commission will be on recent trends in international transport, and their implications for development. Allow me to mention just a few.

The first is the rise of developing countries in maritime trade, both as users of shipping services, and as active suppliers in the shipping industry. In line with their growing share of global trade as a whole, developing countries are accounting for an ever-larger share of seaborne trade. In 2011, 60 per cent of the volume of world seaborne trade originated in developing countries and 57 per cent of this trade was delivered in their territories. Asia is now by far the most important loading and unloading region followed by Europe, America, Africa and Oceania.

On the supply side, the shipping industry has also been undergoing a transformation in the last decades. If, in the past, the shipping industry was the exclusive domain of companies in the developed countries, today a number of developing countries have obtained a significant share of the market in some parts of the maritime businesses. For instance, ship construction is largely dominated by shipyards in two Asian developing countries. At the same time, the top three players in shipping services remain European. This growing internationalization of the sector also means that today a typical cargo vessel may be built, owned, manned, insured, operated and registered in different countries.

The second trend of note is the growing degree of concentration in the industry. Judging by the data collected for UNCTAD's Liner Shipping Connectivity Index, which measures the capacity of countries to carry their manufactured trade over the oceans, we can observe a general trend towards ships with ever-larger capacity, as well as a decreasing number of carriers. Taken together, these two trends may have adverse consequences for smaller economies:

On the one hand, larger ships would allow for economies of scale, which could translate into lower freight costs for shippers. However, operating larger ships requires larger companies, which often means that smaller players are squeezed out of the market. This in turn leads to less competition, and thus the risk that reduced costs are no longer passed on to clients in the form of lower prices.

The third and final trend I would like to flag is the growing recognition of the need for a more sustainable transport sector. This is reflected by ongoing efforts by countries, industry, and the international community to comply with sustainability imperatives. Sustainability in freight transport entails the ability to provide fuel-efficient, cost-effective, environmentally friendly, low-carbon and climate-resilient transport systems. There is also a need to adapt to the likely impact of climate change on transport infrastructure and to enhance the resilience of maritime transport. Given the long service life of port infrastructure, effective adaptation requires rethinking established approaches and practices early, as today's decisions will determine future vulnerability to climate change.

I am sure that your deliberations can help to identify policies that are needed to address some of these challenges facing the transport sector. In this context, I would also like to mention that UNCTAD's TrainForTrade programme is regularly conducting training courses for port managers in developing countries to strengthen port efficiency. The programme also creates port networks in Asia, Africa and Latin America, bringing together public, private and international entities to facilitate the transfer of knowledge. Between November 2012 and June 2013, a total of 500 participants were trained by TrainForTrade.

On this positive note, distinguished delegates, let me wish you every success in your deliberations and thank you for your attention.