

Trade and Development Board
Sixty-Sixth Session
Inequality – a drag on reducing poverty and attaining the Sustainable Development Goals

Intervention of Ms. Pamela Coke Hamilton
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Trade policies and their impact on inequalities

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Palais des Nations, Geneva

- Excellencies,
Dear Delegates,
Ladies and Gentlemen,
- The last 30 years have seen a polarization in the distribution of income, with significant increases in within-country income inequality, in all countries and especially in developed countries.
- The uneven distribution of the increases in income between and within countries is possibly a major cause behind the current the current backlash against globalization, witnessed mainly in developed countries, and has certainly contributed to the increase in the demand for protectionist policies and led to recent spates of trade wars between major trading nations.
- The reality of such growing inequalities raises considerably the challenges facing the global community in meeting SDG 10 on reducing inequalities within and between nations.
- Nevertheless, facilitating the integration of countries, especially developing countries, into the global economy through more equal and more sustainable trade remains a fundamental pillar on which to address global poverty and inequality.

- Studies have shown that while some groups have surely been hurt by globalization and trade, many have greatly benefited from it. Trade has been a major catalyst for economic growth both in developing and developed countries. Trade opens up economic opportunity, increases economic efficiency, contributes to technological diffusions, creates jobs, and presents consumers with more and better products at lower prices.
- The growth in trade fuelled economic growth in many developing countries, with growth rates that often surpasses these of the developed countries. The rapid increase of international trade since 2002 has been accompanied a reduction in the relative gap between the GDP per capita of developing countries vis-à-vis that of developed countries.
- So, it is misplaced to criticize trade as an instrument of unfair globalization. It has contributed to increasing income levels and reducing the relative income gap between developed and developing countries.
- However, while integration into the global economy through trade has induced growth in many developing countries, especially in east Asia, many other countries in Africa and Latin America as well as small island developing States, did not fare as well. In many of these countries economic growth has been sub-par, with most gains from trade being captured by a small segment of the population.
- So, globalization, including through trade, has brought strong gains in terms of income growth. But it has also led to the marginalization of some countries, some workers and some firms.
- Therefore, what the world truly needs is not less trade, but fairer trade, raising incomes of countries and groups which have been marginalized from the gains of globalization in the past decades. Three specific categories were particularly affected by this marginalization:

- Globalization has had a skewed impact on trade flows. The huge increase in trade over the last decades has been dominated by a few countries. International trade in goods is largely composed of trade flows involving developed countries and the East Asian region. Trade among other developing country regions is much smaller.
- Globalization has affected unskilled workers unfavourably. The fragmentation of the production processes across countries has provided a premium to workers at the top while negatively affecting those at the bottom of the skill ladder.
- Globalization has not always been favourable to small and medium enterprises that engage in exports, especially in developing countries. Most of gains from international trade have been captured by large firms and multinationals as they are better equipped, financed and have expertise to address trade costs such as dealing with non-tariff measures, trade facilitation and transport.
- Rising inequality is not inevitable in the face of globalization. Good policies can make a difference. I see three general policy areas that would likely result in a more inclusive trade:
 1. The first policy area regards strengthening the multilateral trading system: multilateral cooperation remains indeed essential for making the benefits of an integrated global economy more equally shared across countries and hence help reduce global inequalities. There is no doubt that the rules-based, transparent, open and predictable trading system has contributed significantly to economic growth in many parts of the world. Thus, ensuring an operational and effective multilateral trading system supported by the WTO is essential in ensuring that any reform process remains inclusive and equitable. Special and differential treatment in policies should be expanded and tailored to the

needs of countries, especially low-income developing countries. Moreover, areas of multilateral cooperation such as aid for trade, and trade facilitation programs should consider not only reducing trade costs, but also inequality aspects of trade reforms.

2. The second policy area consists of improving opportunities and rights of low-skill workers: trade policymaking can help rebalancing such unequal outcomes by considering the impact of trade on wages, employment and working conditions (decent work). There is evidence that including labour provisions in trade agreement will benefit workers. Governments should also continue to provide workers with the relevant skills required by the global economy through education and training programs. Better use of private product standards, such as sustainability standards, can also help in ensuring that workers and small agricultural producers receive fair remuneration for their work and therefore a fair share of the profits resulting from international trade.
3. The third policy area relates to reducing costs for small firms. This can be achieved by making sure that small entrepreneurs have access to information on foreign market access conditions as well as on the complex processes linked to the compliance of regulations such as non-tariff measures. Promoting the use of e-commerce, providing ICT services, and supporting export promotion initiatives have great potential for levelling the playing field between small and large firms in accessing global markets. Helping small firms participating in world markets also requires addressing any anti-competitive behaviours of large firms. There is a strong need for promoting international cooperation in competition law enforcement.

- To conclude, in addressing the challenges of inequalities and rethinking policies to advance achievement of the SDGs including SDG 10, the international community involved in trade needs to rethink the approach to trade policy.

Policymakers need to confront new global trade realities in a context of rising inequalities within and between countries.

- For decades of globalization, trade has contributed to make the pie bigger, in other words: global wealth has increased. However, some have not been invited to the dinner table.
- Rather than focusing exclusively on productivity and economic growth, the overarching goal should now be to make sure that the pie is divided equally by making trade policy more inclusive and by accompanying them with effective wealth redistribution policies.
- In this regard, I invite you all to read the report that will be published very soon by UNCTAD on this matter, which will notably provide further details on the measures I have just outlined.
- I thank you.