



UNCTAD XIII

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

DOHA - QATAR 21-26 APRIL 2012



SPECIAL EVENT

REFLECTIONS ON THE INTERNATIONAL TRADING SYSTEM AND INCLUSIVE DEVELOPMENT

24 APRIL 2012, 3-6 p.m.

BACKGROUND

The international trading system now stands at a crossroads. The multilateral trading system embodied in the World Trade Organization (WTO) remains a central pillar of the international trading system. The decade-long WTO Doha Round negotiations are in a stalemate, however, and the prolonged Round negotiations are fuelling the creation of regional trade agreements, further fragmenting the trading system. The growing importance of developing countries in international trade, along with the increased prominence of regional trade agreements and South-South trade, has given rise to a multipolar trading system.

At the multilateral level, the impasse of the Doha Round negotiations may reflect wider tensions between globalization and national development interests, underlining the need to seek new ways to foster multilateral consensus in addressing trade barriers and enhancing more open and fairer international trade. There have also been concerns about how the multilateral trading system should address twenty-first century challenges, while also dealing with long-standing development concerns. The current architecture and instruments of the international trading system need careful review to assess what adaptations are necessary in order to deal more effectively with rapidly evolving economic realities and development priorities.

Trade unquestionably remains an important instrument for economic recovery, growth and development. However, trade dynamism is concentrated in some countries, primarily in Asia. Polarization and inequalities remain a major concern at the national and international levels. The least developed countries, sub-Saharan African countries and other vulnerable economies remain marginalized in world trade. The recent economic and financial crisis has further aggravated poverty and inequality, with long-lasting effects on the achievement of the Millennium Development Goals. With 205 million people unemployed worldwide, job creation is a critical development challenge.

Furthermore, continued global imbalances are emerging issues that are expected to influence the sustainability and patterns of trade and growth in the coming years. A new generation of trade barriers, a proliferation of regional trade agreements and a host of key public policy concerns – food and energy security, climate change, sustainable energy use and production, employment creation, productive capacity diversification, infrastructure development, affordable access and structural transformation – require coordinated and coherent action. New ways of conducting trade through global supply chains increasingly influence countries' trade and specialization patterns.

The crisis has prompted a rethinking of the role of government in development, and the unequivocal positive association between import openness and growth has been

increasingly questioned. Recent thinking and national policies have emphasized, among other things, that (a) gains from trade are dependent on a number of conditions, including underlying productive capacities, regulatory and institutional frameworks, and complementary domestic policies (e.g. labour market policies); (b) industrial policy and proactive trade policy has been successful under the right conditions; (c) the content, depth, sequencing and pacing of liberalization, and its coherence with development objectives, are of crucial importance; and (d) there is need to balance export-led and domestic demand-led growth. Indeed, various national initiatives are increasingly combining trade-led growth strategies with proactive industrial, agricultural and services policies. Many of these initiatives define productive capability formation and employment creation as two major policy objectives, seeking to incorporate all of these elements into a coherent and integrated policy framework. Such new policy orientation is exemplified, for instance, in India's Foreign Trade Policy for 2009–2014, South Africa's Industrial Policy Action Plan for 2010–2013, the United States National Export Initiative and the European Union's growth strategy, Europe 2020.

These developments are likely to influence the future directions of the international trading system. The robustness of the rules-based multilateral trading system against protectionism was reaffirmed during the crisis. There is concern, however, that prolonged negotiations have already affected the credibility of the multilateral trading system and have made some negotiating issues less relevant to today's economic realities. Some developed countries have thus called for new twenty-first century issues to be addressed – investment, competition policy, government procurement, food security, export taxes, climate change and exchange rates. At the same time, it remains central for the relevance of the system to inclusive development that trade liberalization help tackle fundamental development challenges, such as poverty reduction, employment, productive capacity, diversification, structural transformation and universal access to essential services and to public health.

Systemically, a lack of leadership became apparent in the negotiations. While developed countries stressed that emerging countries should take more responsibilities given their dynamic economic growth, emerging countries emphasized that they still suffered from poverty and daunting development challenges. The question as to whether the single-undertaking principle underpinning the Doha Round should be reviewed in favour of sector-specific or plurilateral approaches has also been posed. In view of systemic factors contributing to the Round's stalemate, the case for WTO institutional reform has increasingly been recognized.

The drive towards regional trade agreements represents a major challenge for the multilateral trading system. The proliferation and deepening of such agreements point to the need for coherence and organic linkages between multilateralism and regional processes. This coherence and linkage would aim to ensure an optimal mix of both arrangements and provide for trade creation rather than trade diversion. The development potential of South–South integration and cooperation in promoting economies of scale, economic diversification and resilience should be harvested for inclusive development. The expansion of South–South trade cooperation, building on the successful conclusion of the Third Round of the Global System of Trade Preferences negotiations in 2010, provides a viable avenue for further strengthening the growth of South–South trade.

PURPOSE

The event is aimed at promoting reflection, exchanging views and lessons, and generating new ideas and visions. It is also designed to enhance the contribution of the international trading system to inclusive growth and development in view of the multitude of short- and long-term challenges facing the system, such as the failure to conclude the Doha Round, the proliferation of regional trade agreements, and rapidly evolving economic realities and economic thinking.

OUTCOME

- New thinking, ideas and approaches regarding the contribution of the international trading system to inclusive and sustainable growth and development;
 - Innovative ideas on the way forward for concluding the Doha development agenda and for the possible institutional reform of WTO;
 - Greater clarity on twenty-first century issues and the new trade agenda;
 - A new vision on the coherent and integrated governance of trade and development, mindful of the development objectives of developing countries.
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ORGANIZATION

A high-level panel composed of trade ministers and eminent personalities (high-level policymakers, trade negotiators, business leaders and representatives of international organizations, academia and civil society) will be invited to discuss a set of thematic questions moderated by a facilitator.

AGENDA

The panel discussion will address the following thematic issues:

- The contribution of the international trading system to inclusive and sustainable development;
- Major challenges facing the multilateral trading system and twenty-first century issues;
- A new vision on a coherent and integrated governance of trade and development.

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