

## SUBSTANTIVE THEME

### TRADE AS A TOOL OF ECONOMIC GROWTH, JOB CREATION AND POVERTY ALLEVIATION

Discussion paper presented by **Mr. Panacheril C. Chacko, MP (India)**

The role of trade as a tool of economic growth, job creation and consequently poverty alleviation has been debated for a long time, and increasingly now that the world is going through a prolonged economic slowdown.

Growth, employment and equity are closely interlinked. According to established trade theories, an increase in trade brings the need for more manpower, hence more jobs, which in turn would spur economic growth and redistribution of income, resulting in the alleviation of poverty.

Trade has an important role to play in the growth of economies and free and fair trade can help the world tide over the problems of unemployment and reduce poverty in general. However, the manner in which trade would affect employment would differ from country to country as other factors also play a role. For example, technological advancement also has a strong impact on employment and productivity, benefiting some jobs and hurting others.



Advances in technology have provided great opportunities for trade in services and we have benefitted immensely in terms of the creation of employment opportunities in high-value jobs. Economic growth and increased trade create jobs; there is no arguing about this assertion. However, the causal linkage between trade and the creation of jobs is a complex one and empirically is both inconclusive and insufficient. It is widely acknowledged now that liberalization has a redistributive effect, which creates jobs in some sectors while destroying them in several others. Increase in production for exports certainly creates more jobs, but import substitution of domestic production has its own impact on employment and causes dislocation. Retraining and relocation of displaced workers is not an easy task. Whereas a worker may find a new job very quickly in one country, it may take much longer for a similar worker in another country experiencing similar conditions.

It is a well-established fact that trade liberalization leads to job creation, job destruction and job relocation. As countries move up the value chain, the qualitative nature of job markets also changes. There are several factors at play and the net impact of liberalization varies from country to country as well as across regions.

It is precisely this realization that guided the founders of the WTO to build in the flexibilities, which are so essential for the least developed countries (LDCs) and the developing economies while framing the rules of global trade. This policy space was deemed to be essential and it remains equally valid even today. While we recognize the need for greater opening up of markets, we need to calibrate it in a manner that would enable institutions to emerge in a stable environment. Trade openness has to proceed in tandem with the evolution of appropriate policies and institutions.

Developing economies face peculiar challenges. Institutions are not fully developed. A growing labour force necessitates the creation of new jobs. There are inherent inadequacies in educational institutions and training and skill development facilities. A legacy of poor infrastructure is a huge constraint on competitiveness. Even the advanced economies of today have only gradually embraced openness in trade and therefore, we need to strike a balance by fully recognizing the constraints faced by the developing countries.

India embarked on the path of economic liberalization nearly two decades ago and since then our economy has become increasingly integrated in the global economy. India has autonomously liberalized its tariff structures, with the result that the average applied tariffs have come down to 33.3 per cent for agricultural goods and less than 9 per cent for industrial goods. Our trade to GDP ratio, which was as low as 20 per cent in 1998, has today crossed 50 per cent, marking a dramatic shift. Both our imports and exports have shown healthy growth, pointing to the continuing openness of the Indian economy. We have a large trade deficit, which as a measure of the GDP, is one of the highest in the world.

We have had a positive experience of calibrated trade liberalization. Indian industry has gradually gained competitive strengths and is now in a position to compete effectively not only with imported products but is also carving a niche for itself in the global market place. Indian industry has a large component of small and medium-sized enterprises (SMEs), which are dependent on exports and contribute to economic growth. SMEs contribute about 8 per cent of our GDP, 40 per cent of our exports and employ 60 million people. Therefore, SMEs engaged in exports have a special socio-economic significance in India's trade paradigm.

There is no doubt that openness in trade is an essential prerequisite both for economic growth and the creation of employment opportunities. However, the pace of trade liberalization has to be calibrated according to the specific requirements of a country keeping in mind its socio-economic realities. Domestic policies and institutions are required to cushion any adverse impact of rapid trade liberalization. The LDCs and the developing countries would require flexibilities to help them adapt even as they integrate themselves in the globalized world. In a situation where the domestic economy is marked by high rates of unemployment and an increasingly young population entering the job market, the political pressure for creating greater job opportunities becomes more pronounced.

We cannot talk about openness without mentioning the need to keep the labour markets open. In today's globalized world, where capital and technology move with unprecedented speed in unprecedented volumes across national boundaries, it is completely inexplicable why labour cannot follow suit. Therefore, if we are viewing the trade paradigm from a perspective of generating sustainable employment, it is imperative to address the issue of free movement of labour across borders.

Trade can very well play an important role in economic growth, job creation and poverty alleviation provided that equity is maintained in trade. Trade should not be a tool available only to the developed countries in their quest for markets in the developing countries, thus reaping the benefits in the form of growth, job creation and the resultant redistribution of income. Such a dispensation can have very adverse effects on developing and poor countries, which do not have the wherewithal to compete with the advanced technologies, adequate capital, infrastructure and skilled labour force available in developed countries. Developing countries need to be supported in gaining equity in terms of infrastructure, technology and skill development before some parity in trade can be achieved. Until such a time, policy space needs to be available for them to protect their industries from being wiped out, which would result in economic downturn and a consequent increase in poverty in developing countries. The tool of trade is thus a potent one and needs to be used by the countries in the manner most suitable to their stage of development.

It is a cause for concern that countries, mainly developed countries, are resorting to newer forms of protectionism that have created new barriers to trade. This tendency has become more acute in the

aftermath of the economic crisis and some parts of the developed world have now started looking inwards. This does not augur well for global trade flows.

In the WTO, India and other developing countries have been persistent in their efforts to ensure that the progress achieved so far in the ongoing round of negotiations, the Doha Round, is not lost, and that development, which is at the core of the Round, remains firmly entrenched in all negotiations at the WTO. The Doha Round is very important for the developing countries, particularly the LDCs and the aspirations of the developing world would be met if the Round is concluded as a single undertaking. Unfortunately, some of the issues which are important to only a few members are being picked up for discussion and pressure is mounting through various formal and informal groups to bring new issues to the discussion table. Trade is a wide subject and one that is important for all. However, trade does not only mean more markets for the developed countries; developing countries and the small and vulnerable economies should also be able to benefit from trade. It is in this context that completion of the Doha Development Agenda essential.

### Discussion paper presented by **Dr. Paul Rübigen**, Member of the European Parliament

Since the 1990s, trade has grown very fast, driven by a mix of technological change and policy reforms. Global merchandise trade in 2011 was around EUR 14 trillion, more than five times its value in 1990 (USD 18.2 trillion, up from USD 3.5 trillion in 1990). Due to the global economic crisis, this pace has slowed down in recent years. With the exception of 2009 trade growth has still remained positive and much bigger than economic growth. This underlines clearly that trade is an effective engine for growth. The current landscape is marked by a lack of substantial progress in the multilateral negotiations at the World Trade Organization, while there is a flurry of plurilateral and bilateral negotiations. Nevertheless, hope remains in some areas of the Doha Round, in particular in the field of trade facilitation, despite the rise of protectionist measures in some countries. Generally, the benefits of opening to trade and investment seem to have been forgotten and trade liberalisation appears to have fallen off the agenda of many policy makers.



Trade is one of the main pillars fostering growth, job creation and poverty alleviation. It is an indispensable element of political strategy in order to ensure the achievement of these three objectives.

#### **Trade and growth**

Historically, no country in the past 60 years has sustained consistently high levels of growth without greatly expanding its exposure to international trade and investments. Some success stories, like South Korea or Singapore or even a bigger economy like China where 400 Million people were lifted out of poverty (since reforms towards market economy structures started in 1978), are astonishing and the economic strategies of such countries have heavily relied on trade.

Trade and investment liberalisation affects growth positively in a number of ways. Trade allows countries to use their comparative advantage. Producers can reach bigger markets and increase the scale of their production. They can also import cheaper goods and services and find new sources of capital. Moreover,

consumers can buy a wider range of goods and services, mostly at lower prices. Trade also contributes to passing on the knowledge and the technologies developed anywhere in the world.

A trade policy aiming at a gradual and progressive opening is more likely to contribute to economic growth than alternative protectionist policies. Economists share a basic consensus according to which trade, income and productivity levels are positively and strongly correlated, with robust evidence to support this. The OECD has calculated that an increase of one percentage point in the share of trade in GDP raises income levels by between 0.9% to 3%. Besides, trade has remained a strong contributor to growth throughout the crisis even when other economic factors have weakened.

According to the World Bank's Growth Commission, over the last 60 years there have been 13 "star" performers in the world – countries that have grown in real terms by more than 7% per year for at least 25 years. Sustained growth and development have rarely, if ever, been achieved in countries that have refused to open up to trade and investment.

Stability, government credibility and good governance, savings and reliance on markets are also important. Each country has indeed its own unique set of conditions for achieving economic growth. However, an export-led strategy has proved to be one of the most successful ways of ensuring development and employment.

Trade liberalisation needs to be supported by the right mix of accompanying measures. Education, investments into infrastructure, well-functioning governance structures, and initiatives facilitating self-employment and supporting SMEs are all together significant for positive effects of trade liberalisation. In this regard, the respect of fair wages and salaries, human rights as well as democracy are important cornerstones that should guide decision-makers at all levels. Improvements of all these elements would be beneficial for economies at the global scale to be able to harvest the full benefits that result from integration into the global trade and investment system. It will also influence the type of growth that derives from integration into the international trading system, in particular whether it appears to be socially sustainable and its effect on the environment.

Concluding the long-running Doha Round of trade negotiations would provide a boost to the world economy. Every option that brings us closer to reaching an ambitious conclusion of the Doha Round must be pursued. In this context, opportunities to achieve concrete results seem to be the most promising in the field of trade facilitation. Such a development would create greater security of market access, through the negotiation of policy disciplines. Maintaining an open trade regime whilst resisting protectionist temptations represents an important foundation for the global recovery and the new matching of global supply with demand. This is especially true for developing countries as so many depend on exporting to foreign markets to finance growth-stimulating imports of goods, services and technologies.

Since growth depends to a high degree on trade, and as tariffs have largely decreased throughout the world since the creation of the GATT, we are faced today with a more complex trade agenda: international trade negotiations increasingly revolve around behind-the-border regulatory policies, not just import tariffs, as in the case of the liberalisation of services. The international trade and investment policy agenda spans a plethora of policy areas and that is maybe one of the reasons why the power of trade for growth is sometimes underestimated and why negotiations are so difficult.

### **Trade and employment**

The investment and trade liberalisation and technological innovation have globalised the labour market. The overall effect of trade liberalisation on the labour market is positive. It can, however, create substantial reorganisation in the structure of the labour market encompassing displacement of jobs from specific sectors to other sectors where a significant number of new jobs are created. As the bulk of employment is within

SMEs, the continued expansion and internationalisation of SMEs is an essential mechanism which must be supported by targeting all the barriers that specifically affect SMEs on the international stage.

Meanwhile, the internationalisation of the production chain and the increasing integration of large economies that benefit from a surplus in low-wage workers have to some extent reinforced public concerns. However, jobs affected by trade openness are not entirely lost; they are often only displaced to other sectors or areas of activities. Indeed, the OECD has witnessed in its member countries a stronger rate of job turnover in the 1990s up to 2005 than ever before and trade has contributed to this trend.

The current economic landscape is marked by more and more international mobility of goods and capital, but workers are not yet equally able to move across borders. To help affected displaced workers is more necessary than ever for the sake of efficiency, equity and public economy. Therefore, some kind of compensation mechanisms should ensure that workers receive proper support in order to be able to re-orientate their careers and improve their chances of finding another position. This should be done in a way reflecting the special talents and needs of the persons affected. Such workers should be encouraged to find jobs in expanding sectors rather than staying in a declining industry or remain unemployed.

Besides, no trading nation should engage in social dumping through violations of labour standards. Compliance with existing international labour standards and promotion thereof across the world is particularly important for a level playing field in international trade. In this regard, solutions have to be found within the multilateral system of the International Labour Organisation (ILO). Additionally, a functioning social dialogue appears to be the necessary tool to smoothen the transition from workers into new jobs and alleviate the adverse effects of an internationalisation of trade,

When these conditions are met, open markets can create important opportunities on a global scale.

### **Trade and poverty reduction**

Trade has been an engine of growth in many countries, even though this has not always materialised into an immediate poverty reduction. The degree to which trade contributes to poverty reduction varies considerably across countries. As explained in the recent work of the ILO and the WTO on making globalisation socially sustainable, the effect of international trade on wage differences and therefore on poverty is "rather nuanced". Several developing countries have experienced in the last decades higher inequalities at the same time as they opened up to international trade. However, this does not mean that trade is solely responsible for this development, since multiple factors play a role in this regard.

International experts, including the World Bank, had assessed at the start of the Doha Round that this round has the potential to lift some 100 million people out of poverty. Therefore, through more international trade we have it in our hands to contribute significantly to poverty reduction all across the globe.

Improving the competitiveness of Least Developed Countries through reducing obstacles to their export performance, the WTO encouraged the creation of the Aid for Trade initiative. Its goal is to tackle the supply-side constraints that severely limit some countries' ability to benefit from the multilateral trading system. Depending on the specific country context, this could require further investments in human capital and rural infrastructure, and access to credit and technical assistance to promote macroeconomic stability. More competitive developing economies should have fewer difficulties in accepting further trade liberalisation. This approach will also help to generate a more inclusive growth, where the benefits of international trade are also extended to a greater degree to remote, rural or simply poorer regions.

In addition, there are other challenges, such as good governance, administrative and legal structures, and modernising the structure of the economy, which might hinder wealth generated by trade from benefiting all parts of the economy equally. For example, in many low-income countries the informal sector represents a

very high proportion of the domestic economy and cross-border trade. Informal enterprises find it much harder to gain access to the necessary financing, technology and contracts to be active internationally and to become internationally competitive. Another example is the lack of a proper tax system and collection due to bad governance and corruption. It prevents the increased wealth generated by trade from being properly channelled throughout the economy.

## Conclusion

Trade is a crucial element to create growth and jobs, as well as to reduce poverty across the globe. Generally, it appears as a *conditio sine qua non* for countries to grow out of poverty while fighting for the creation of new jobs. Hence, international trade should be promoted on different levels: multilateral, plurilateral and bilateral, agreements do not exclude, but complement each other. The efforts undertaken via the World Trade Organisation for achieving international growth and poverty reduction are more necessary than ever. All possibilities for improvement need to be explored and pushed forward on to the WTO negotiation agenda starting above all with trade facilitation with the potential to facilitate the integration of all into international trade. Thus, concrete results in the on-going Doha Round, in particular with regard to trade facilitation, seem to be the appropriate answer in times of a global economic crisis.

## Introductory remarks by Mr. P.C. Chacko, Rapporteur (India)

It is generally recognized that free and fair trade practices can help the world overcome the problems of unemployment and poverty, and promote economic growth and overall development. However, developing countries have not enjoyed the same success from trade liberalization as developed countries. They face unique challenges in terms of the development of well-developed institutions and infrastructure, and some degree of flexibility is required to enable them to adapt to the emerging realities of the global economy and meet prevailing trade challenges. The opening up of goods and capital markets in these countries although essential, is not sufficient. In today's highly globalized world, capital and technology can move across borders with ease, but the same is not true of labour. If international trade is to generate sustainable employment, the free movement of labour across borders is an issue that must be given due attention by all stakeholders.

There is no denying that trade has a significant role to play in alleviating poverty, provided that equity is maintained. Trade should not be a tool available only to developed countries in seeking markets and reaping economic benefits. Developing countries need to achieve equity in terms of infrastructure, technology and skills development, and the ongoing Doha Round of negotiations, which has development at its core, is very important in that regard. The aspirations of the developing world for economic growth and poverty alleviation cannot be fulfilled unless the Doha Round is concluded as a single undertaking.

## Introductory remarks by Mr. P. Rübiger, Rapporteur (European Parliament)

This discussion is timely. The world is changing every day and we, as parliamentarians, must learn what we can do to improve the daily lives of the citizens of our countries. Harmonization is an important principle in world trade. WTO's negotiations seek to provide for some harmonization but we have to ask ourselves where we can accept to be different, and why it is important to be different. Mutual recognition is another important principle: for example, in Europe, there is zero growth at present, while other countries are achieving between 5 and 10 per cent growth. Europeans must ask what those countries have done to achieve such growth and development.

The outgoing Chinese Government should be congratulated for bringing 400 million people out of poverty while also creating a number of dollar billionaires, and improving the social situation in the country. I am sure that the new Government will also look at social and environmental aspects, and seek to continue making improvements. This is what we want; we don't just want cheaper goods and higher wages, it is very important

to look at quality of life. Education is an important issue and better education will give our small- and medium-sized entrepreneurs more opportunities to be active in business. We also need well-functioning governance structures and infrastructure, and to identify factors conducive to safer employment.

Negotiations in the field of trade facilitation are almost finalized. The OECD has calculated that an increase of one percentage point in the share of trade in GDP raises income levels by between 0.9 and three per cent. Conclusion of the Doha Round will present some 100 million job opportunities and potential for growth. Parliamentarians have a responsibility to ask their governments about the state of play and how progress can be achieved with a view to securing breakthrough success at the 9<sup>th</sup> WTO Ministerial Conference in Bali in 2013.

### Introductory remarks by Ms. Marion Jansen, Discussant (Counsellor, WTO Secretariat)

WTO has played a very important role during the recent crisis, and the fact that protectionism has not increased – at least not significantly – has been significant for the world economy. The impact of the crisis on labour markets has not been pleasant but would have been greater had the multilateral rules system not given stability to international markets.

In the current era, the issue of how trade affects employment has become very important, and many studies have been conducted about the potential that further trade openings offer for employment and labour markets. An analytical understanding of these issues is becoming increasingly important. Multilateralism and multilateral trade liberalization are the best way for liberalizing markets in terms of GDP and employment. Studies consistently show that multilateral liberalization delivers better employment outcomes than unilateral or regional liberalization. Progress in multilateral liberalization and in multilateral trade negotiations could therefore be very beneficial for labour markets.



However, the benefits of trade opening for jobs and employment markets may not come automatically. There are challenges ahead, and some of these have been highlighted in a joint publication by the ILO and the WTO on making globalization socially sustainable. First: open markets make economies vulnerable to events in other countries, and transmit shocks from one country to another. We have experienced this in the recent crisis where the events in the US housing market have had knock-on effects in other countries. It is therefore important for countries to have a system in place to protect workers and the most vulnerable in the population against such shocks. Studies undertaken during the recession, including by the ILO, the WTO and the World Bank, indicate that social protection systems that are in place before a crisis or a shock hits are beneficial for the labour force and for the economy as a whole.

Second: trade liberalization can result in structural change that is not always as positive as was hoped for. There are examples of countries where the non-productive sectors grow and the productive sectors shrink, and more work is needed from research and policy makers to understand why this happens and what can be done to prevent this.

Third: the gains from trade are not always well distributed within countries. In order to advance in the multilateral trade agenda and ensure support for further trade opening, the gains from trade must be distributed to the advantage of a large part of the population.

International migration is a complex topic. However, the lack of labour mobility is an issue that is relevant to outcomes in labour markets. It affects the bargaining situation at the national level between labour and capital, and enterprises and workers, and this may not be positive for economic outcomes. It may also not be conducive to support for multilateral trade liberalization. I invite you, as parliamentarians, to think whether or not this is an issue of relevance for your country and how it may be addressed in your country. On the subject of internal migration, 72 per cent of the labour force in LDCs work in the agricultural sector, but only 4 per cent in high-income countries. As LDCs and developing countries grow and integrate into global markets, the agriculture sector will shrink, and in most countries this will imply migration from rural areas to urban areas. It is important to ensure that this challenge is addressed in a way that avoids hardship for the individuals that move, does not lead to a loss of skills, and yields the best outcomes from trade.

Education is a challenge for all countries irrespective of income level. Youth unemployment levels are high across the world. Skills mismatch – a situation where enterprises are unable to find skilled people, despite investments in education – is a waste of resources and an obstacle to potential growth, and must be avoided. The strengthening of education and training institutions is very important for the future of many countries, and might require increased collaboration between education and training institutions and the private sector.

Coherent policy-making across ministries is important in order to ensure that trade yields the best outcome for growth and jobs. In Geneva we are increasingly working with each other across international institutions, and the collaboration between the ILO and the WTO is a steady and prominent one that has been very fruitful. Much can still be done at the national level to facilitate closer collaboration between ministries and committees in your parliaments on the issue of trade and its employment implications.

## EXCERPTS FROM THE DEBATE

### Mr. A. El Maati (Morocco)



The failure to conclude the Doha Development Agenda has led many of our governments to adopt an approach towards the liberalization of trade that is in some cases extreme and does not always take into consideration the needs of developing countries.

### Mr. Y. Fujita (Japan)

I would like to express my country's appreciation for the assistance WTO member countries provided following the Great East Japan Earthquake and tsunami in March 2011. Multilateral trade negotiations are very important and we should make every effort to break the deadlock in the Doha Round and implement the decisions of the 8<sup>th</sup> WTO Ministerial Conference. Trade facilitation to develop the global value chain could help to benefit both developed and developing countries, and the Information Technology Agreement developed by the group known as the "Really Good Friends of Services" could contribute to increased trade in services. Countries should make a political commitment to counter the protectionist trend that might arise as a result of the global economic crisis, and should recognize the importance of trade and investment as an engine for growth and employment creation, and as a means of strengthening the global value chain.

**Mr. A. Al-Nuaimi (United Arab Emirates)**



In most countries of the world, trade is the major economic engine, and if countries want to improve levels of economic development, they have to begin to reform trade. WTO must reform free trade legislation to promote the development of markets in developing countries. WTO should also call upon developed countries to provide credit assistance and other facilities to boost the economies of developing countries.

**Mr. Z. Yin (China)**



China has made considerable effort to respect international commitments since its succession to the WTO, and I am grateful to those who have expressed appreciation of China's efforts. The unemployment rate in China has fallen to 10 per cent, and in 10 years, our GDP has doubled while our exports have increased four-fold. Not only is the Chinese economy developing, but it is also contributing to world growth. Every year, China imports more than \$650 billion of inputs and benefits

consumers in many countries. According to surveys, US consumers have saved over \$600 billion, and European households have been able to save €300 a year as a result of China's activity. China provides significant assistance in terms of infrastructure and economic development to developing countries and to most of the LDCs, and levies a zero-duty tariff on products from those countries. However, our GDP however remains lower than that of many other countries, so much remains to be done.

**Mr. P.C. Chacko (Rapporteur)**

It is a source of regret to everyone associated with the WTO's activities that the Doha Development Round is not being continued to its logical conclusion. As things stand, countries are far reaching a level playing field, and the benefits of trade are not being distributed equally. Political initiative is required to give new impetus to the negotiations.

**Mr. P. Rübiger (Rapporteur)**

Poverty is declining in countries where peace prevails, and efforts must be made to ensure peace and the establishment of a parliamentary government system that obtains the right solutions for the people. Finance is another important issue, and I think that international foundations should concentrate more on microfinance to create employment; women, in particular, should be given greater opportunities to become entrepreneurs. The system of production is important area, and the WTO should also think about being a service organization, facilitating information on necessary legislation for export. Poverty reduction begins with good prices, which allows consumers – even those on a lower wage – to afford more. We will only be able to get the right product at the right price if we open the market, and we must thank the Chinese government, whose efforts are enabling the average European to achieve a cost plus of €300 per year.

**Ms. M. Jansen (Discussant)**

It is important to distinguish between the role of trade and the role of the financial sector in the crisis. While openness to trade has contributed to transmitting the crisis, research also shows that openness to trade has enabled countries to exit the crisis more easily. What caused the crisis was not trade, but problems in the financial sector in a

number of countries, creating economic havoc and great problems in labour markets.

On the issue of trade facilitation, WTO has played a very active role in the Aid-for-Trade debate. The negotiations on trade facilitation are focusing on how it can be made easier for countries and entrepreneurs to trade, and on the help that can be given to entrepreneurs in developing countries, and in particular the LDCs. I thought that those negotiations have advanced rather well, and I understand that this will be an important issue for the future.

#### **Mr. P. Rübige (Rapporteur)**



One of the key issues for the future is employment, for which education and vocational training are essential. Competition between educational and vocational institutions is counter-productive. We should recognize the importance of trade facilitation in enabling the self-employed and small- and medium-sized enterprises to operate in this Internet age, thus creating wealth and jobs.

Public procurement should be focused on small- and medium-sized enterprises, and WTO should also shift its focus from large international businesses towards small- and medium- sized enterprises.

#### **Mr. P.C. Chacko (Rapporteur)**

The expansion of world trade has contributed to the growth of countries like India and China. As the volume of trade increases, so does the growth rate; this in turn leads to the creation of jobs and poverty alleviation – two of the most crucial issues for many countries.

#### **Ms. M. Jansen (Discussant)**

In a fast-moving world, youth unemployment is a major issue for industrialized countries, emerging economies and developing countries alike. Education and training systems face huge challenges; it is not easy to ensure that the people you educate today will have the skills to find a job in two or three years' time. An increasing link between education and training systems and the private sector and companies will be important to achieve success in this area. Much is being done at the international level to ensure that what happens in the trade domain is consistent with actions in other areas. However more can be done at the national level to strengthen coherence, including increased collaboration between ministries and experts' groups.

#### **Mr. P. Zalba Bidegain (European Parliament)**



On behalf of Mr. Rübige, I would like to express appreciation to the representative from Bangladesh. This is one of our targets and your words are great motivation for us to continue on our work.

#### **Mr. M.U. Khan Badal (Bangladesh)**

LDCs, including Bangladesh, are grateful to the European Parliament for the preferential market access granted, which has created jobs, reduced poverty and empowered people. Decisions taken at the 6<sup>th</sup> WTO Ministerial Conference in Hong Kong in 2005 should be implemented as soon as possible, since issues of priority to the LDCs are not contentious. Parliamentarians should raise their government's awareness of the need to implement decisions on market access, the cotton services

waiver and the extension of the TRIPS agreement. Trade liberalization must be consistent with the specific requirements of a country and the social, political and economic realities.

**Mr. J. Mulimba (Uganda)**



With the liberalization of trade, some countries will not employ those educated outside the country. How can we ensure harmonization to enable the WTO member to benefit from labour market accessibility? While the European Union promotes the growth of genetically modified products in Africa, the export of such products to European market is not permitted. How can Africa then benefit from market access concerning these products?

**Ms. U.-J. Lee (Republic of Korea)**



In order to help workers affected by trade liberalization to find a new job, countries should have in place a social structure to facilitate career reorientation. However, it will be challenging for developing countries and emerging economies to

take initiatives that require sustained investment over a protracted period. Trade liberalization may be beneficial in the long term, but sacrifice in the short term is unavoidable. WTO should do more to address these issues, rather than simply encouraging trade liberalization. Is multilateral negotiation likely to be more beneficial than bilateral negotiation in this regard?

**Ms. M. Jansen (Discussant)**



Some of the issues that might arise when countries adjust to trade liberalization, such as job losses and the need for social protection fall under the mandate of other institutions, in particular, the ILO. However, related issues, such as the assistance companies and sectors need to grow in order to export, fall under the responsibility of the WTO. Trade facilitation negotiations are intended to help exporting companies, in particular small and medium-sized enterprises in developing countries.

Furthermore, in the area of Aid-for-Trade, considerable emphasis is placed on helping developing countries to generate a supply response and to start exporting and growing. In areas outside of its mandate, such as social protection, the WTO seeks to draw attention to the solutions offered by other, relevant institutions. It tries to facilitate a flow of information on the link between trade and labour markets and the identification of solutions, to a large extent referring to the work done by the organization active in the field. Harmonization of standards could facilitate trade and the movement of service providers. In its agreements and legal texts, the WTO refers to the benefits of harmonization, encourages its members to collaborate jointly at the international level to harmonize regulations and

standards and it facilitates the use of such international standards.

Harmonization does not have to take place at the WTO, although there have been occasions, for example in the area of telecommunications, where this has happened. What is important is a coherent approach, and regulators and trade negotiators should come together at the national level and ideally, at the global level to that end. The World Bank is working actively in this area by bringing together trade negotiators and regulators in "knowledge platforms" in order to reach agreement on the type of harmonization that would be useful.

#### **Mr. P.C. Chacko (Rapporteur)**

Labour movement across borders is meeting with some resistance, and I think this issue should be part discussed within the WTO since it may be a major problem in the future. Acceptability of genetically modified agricultural products is also a major problem for many countries and one that is preventing previous conclusions from being implemented. Difficulties being faced by countries in this area must be discussed at the highest level, including in the appropriate WTO forum.

#### **Mr. A. Budimanta (Indonesia)**

I fail to see any correlation between trade liberalization and poverty alleviation. With regard to trade, the focus is on efforts to achieve effectiveness and efficiency and to maximize profits. This means that, for some commodities, market control will be concentrated among some dominant players, leading to systemic poverty in the developing countries and LDCs. The WTO must level the playing field to create a multilateral trading system that is fair, transparent, non-discriminatory and inclusive and one that upholds the development dimension of the developing countries and LDCs. Indonesia has always supported the fair conclusion of the Doha Round and has taken the lead in the negotiations on trade in agriculture. I hope that the 9<sup>th</sup> WTO Ministerial Conference in 2013, which my country will be hosting, will take strategic decisions on how to conclude the Round taking into account the needs of developing countries and LDCs. All parliamentarians should support the fair conclusion of the Doha Round.

#### **Mr. H. Alshehri (Saudi Arabia)**



Trade is a major pillar for economic development, job creation and poverty reduction. However, developing countries and LDCs are being affected by factors including the reduction in developed country assistance and the failure to conclude that the Doha Round. Donor countries should therefore pledge to continue their assistance. Saudi Arabia, for its part, has given some US\$5 million to the World Food Programme and US\$700 million to support productive sectors in poor countries, facilitating the implementation of trade commitments. The elimination of non-tariff and customs barriers and the need to take into account the requirements of developing countries in the Doha Round is extremely important.

#### **Mr. O. Ahmadi (Islamic Republic of Iran)**

The unequal trade relationship that exists on the international stage has an adverse effect on the national development of countries. As multilateral trade talks and the Doha Round have shown, trade liberalization is a tool in the hands of developed countries that is used against developing countries.

The global economic crisis has demonstrated the ineffectiveness of the global financial management system and has resulted in an increase in poverty in some countries. This situation cannot be left unchecked. Capacity building and the transfer of technology can help to improve trade and reduce poverty and facilitate the establishment of a fair and balanced trading regime – a goal that all countries should strive to achieve. Tools, such as sanctions, create a further obstacle to the development of nations.

### Mr. P.C. Chacko (Rapporteur)

The genuine view being expressed by many members today is that the level playing field that the WTO seeks to promote is far from being achieved. Some flexibility is needed in order to take into account the differences in the economic development of States. Capacity building and trade modernization are taking place in a number of countries, and WTO should review any lapses by Member States. Although I agree with the opinion expressed regarding the global financial crisis, administrative and regulatory mechanisms within a country do bear some responsibility.

Saudi Arabia's effort and contribution to the World Food Programme are highly appreciated and serve as an example to others.

I strongly disagree with the point that trade liberalization has no correlation with poverty alleviation. Growth in the economy and trade will automatically filter down to the common man. However, how and to what extent depend on the policies being implemented by the government. If the benefits are not distributed, we should find fault with the government of the country, not with an international body. We can't distribute poverty. The aim is to create wealth and increase trade. I am very supportive of the arguments of a level playing field, and there are issues in this regard that the international community must examine.

The problems of developing countries are at the heart of the Doha Round. The fact that the Round is deadlocked will be seen as a failure of this world body, and the positive recommendations that have already been made should be implemented. The world is looking towards the 9<sup>th</sup> WTO Ministerial Conference in Bali with hope, and we trust that tangible progress will be made at that conference.

### Ms. M. Jansen (Discussant)

Research shows that the extent of the link between trade and poverty alleviation depends on the country concerned. One of the crucial points is the challenge of ensuring that in a country that liberalizes a significant amount of companies begin to export, and therefore start growing and creating jobs. There are a number of obstacles to this, in particular in developing countries, such as a lack of

infrastructure, weak financial markets and a lack of awareness and information about markets abroad. Discussions at the WTO in the context of Aid-for-Trade have been focused on how to strengthen the supply response in developing countries and it is my understanding that technical assistance will continue to be provided in this regard, in particular to the LDCs, through the so-called Enhanced Integrated Framework (EIF).

Trade ministries in these countries are requested to participate actively in helping their countries to grow. For a number of markets, there is data to corroborate the view of large global players arising and taking market control, and this is one reason why many experts supported the idea of discussion of competition policy in WTO. However, some years ago, WTO members took the decision to take competition policy off the negotiation agenda, and that is still the current situation.

### Mr. J. Faria (Venezuela)



I welcome the opportunity to discuss such an important subject for the development of our nations. There is no automatic link between trade and economic growth, job creation and poverty alleviation. Such a link will exist only if there is a national State-driven policy to distribute the gains and benefits of trade in a fair manner. The recent decades of neoliberal policy and the current crisis demonstrate that a free market is completely insufficient and an obstacle to development, equity and social wellbeing.

Trade is not a panacea. It will serve as a springboard for development only if a country has a minimum level of industrialization and has

undergone a lengthy phase of internal development before opening itself up to the market. Trade is dominated by asymmetries, inequalities and by large transnational corporations. Let us not forget that inequalities between income and economic development in the most developed and least developed countries have quadrupled over the last 40 years. If we are to bridge the development divide, we must recognize the importance of solidarity as well as transparency to help the poorest and most backward nations to develop. Trade must be seen not only from an economic and financial perspective but also from an ethical one. Venezuela, for its part, has a trade agreement with countries including Cuba, Nicaragua, Bolivia and Ecuador that not only promotes trade exchanges, but social and cultural exchanges from an ethical as well as an economic perspective.

**Mr. C. Hansuebsai (Thailand)**



I strongly agree that the benefits of trade are not automatic and that trade is a necessary condition for triggering and sustaining growth and development, but not a sufficient one. Trade policies should be changed to reflect broader development objectives such as poverty reduction, employment, sustained and inclusive growth and access to essential medicines and services. The WTO has a duty to explain to its members, particularly developing countries and LDCs, how this can be achieved. The WTO could benefit from strong and effective parliamentary support. It should provide parliamentarians, on a more systematic basis, with information on the benefits of rules-based free and fair multilateral trade, notably on how such trade could create jobs alleviate poverty and accelerate growth. Thailand, a developing country, has

benefitted significantly from multilateral trade. If we all work together and inform our governments of the benefits of multilateral trade, it might still be possible to conclude the very important Doha Round.

**Mr. S. Matsushita (Japan)**



My country highly appreciates the assistance from the international community after the Great East Japan Earthquake and the joint efforts to deal with the Fukushima accident. Despite Japan's enormous efforts to ensure food safety, 40 countries still refuse to import Japanese foodstuffs. Japan considers the issues pertaining to developing countries in the spirit of the Doha Round and is implementing two initiatives as part of Aid-for-Trade efforts. Emerging economies should assume greater responsibilities commensurate with their increasing powers.

**Ms. M. Jansen (Discussant)**

With regard to the comment concerning the need for certain minimum conditions of industrial development, there is much talk of global supply chains. Research is indicating that technology transfer is now much more rapid than in the past, and this can result in complaints about level playing fields from rich countries that have difficulty in competing with countries where wages are much lower that have access through technology transfer to expensive technologies. On the view that trade is a necessary - but not a sufficient - condition for poverty reduction and employment growth, the WTO frequently emphasizes the need for accompanying measures, such as a strong social protection system. More can probably be done in this area, but the WTO is already pursuing an active agenda in this field, including collaboration with the ILO,

OECD, the World Bank on trade, growth and jobs and the need for accompanying measures.

**Mr. P.C. Chacko (Rapporteur)**



I agree that trade has no automatic relation with poverty alleviation. The volume of world trade has increased five-fold over the previous 10 years and is projected to increase 10-fold in the next 10 years. This expansion in world trade is likely to add to the GDP and economic growth of each country, but the extent to which this will result in poverty alleviation and job creation depends on internal economic policy in the country. Greater transparency regarding the opportunities of increased world trade will undoubtedly enable poorer people to attain better living conditions. Greater involvement of parliamentarians will foster peoples' participation, since discussions, including in ministerial conferences, will filter down to the Parliament and then to the people. The solidarity and cooperation shown by the international community in the wake of the Japanese nuclear accident has created a positive international atmosphere. While we can't blame countries for taking a cautious approach after the accident, propaganda should not be able to stop the exports of the country particularly in this scientific age. Japan's genuine concerns should be discussed at the highest level. Greater power equates to greater responsibility. It goes without saying that, in the international community, those countries and emerging economies that are assuming more power should assume greater responsibility. Poverty is the bane of society and the efforts of the international community will have been futile if poverty alleviation and job creation are not achieved. National governments must recognize the opportunities that the expansion in world trade

presents in terms of poverty alleviation and job creation. Consideration of the outcome document of this annual session should not be confined to this room; the document should be discussed in parliaments of all member countries.

**Mr. J.-W. Kil (Republic of Korea)**



I would like to know what we, as politicians and parliamentarians, can do to promote the WTO process. The Republic of Korea has recently been selected to host the Green Climate Fund – a multilateral financial institution that builds and allocates funds to developing countries for sustainable growth, in particular green growth. My country's willingness to host this Fund is an example of its political leadership, and I hope that my fellow parliamentarians will support South Korea's leadership in the area of green growth.

**Mr. M. Roumer (Haiti)**



I wish to thank all of those countries that have assisted Haiti in difficult times, in particular

Venezuela. Parliamentarians must be involved in a broader discussion on how to tackle the difficulties that populations will face in the future, such as the impact of mechanization, in particular in countries where a large part of the workforce is involved in the agricultural sector. We also need to look more generally at social protection across continents, particularly in light of the current trend to delocalize to cheaper production destinations. I welcome efforts of some regions to take into account in trade aspects other than profit.

#### **Mr. P.C. Chacko (Rapporteur)**

We must move with the times. However, the impact of new technologies depends on the programmes implemented by governments. For example, if mechanization is to be introduced without increasing poverty among traditional workers, governments must provide retraining and redeployment programmes to provide workers whose jobs have been replaced by machinery with other income-earning opportunities. While the role of national parliaments depends on each country's constitutional provisions we, as parliamentarians, have a responsibility to bring to our parliament's attention the deliberations taking place in international fora. We should initiate a debate to ensure that the implications of decisions taken are fully understood, rather than simply rubberstamping those decisions. The role of national parliaments and parliamentarians in the discussions at the WTO is absolutely essential, and Korea's efforts to offer financial assistance to developing countries are commendable.

#### **Ms. M. Jansen (Discussant)**

With regard to the possible role for parliamentarians, I suggest that you should draw the attention of your trade ministries to the Doha negotiations and request their support for the Round. Governments have a nuanced role to play in assisting the private sector when markets open up, and you should help to create an environment in your countries where development ministries, such as trade ministries, are informed about developments in the private sector.

The agricultural sector is a very important sector for developing countries. The Government could help producers to connect to global markets through the establishment of sophisticated networks for

transmission of new technologies to smallholders throughout the country. There are lessons to be learned from systems that already exist in some countries, such as Malaysia, which have played an important role in strengthening a country's exports. Different ministries must work together if the gains from trade liberalization will lead to poverty reduction and employment creation. This is not an easy thing to do since cooperation between trade and labour ministries is often unheard of. Parliamentarians could perhaps support the establishment of cross-ministerial bodies to ensure a flow of information and that government policy follows one coherent direction.

#### **Mr. O. Kabani (Saudi Arabia)**

Specialized funds can be used as a mechanism to fund education and job creation. Saudi Arabia has been a pioneer in this area and has established a social fund to build capacity among beneficiaries with a view to promoting autonomy and active involvement in society. A number of programmes have been set up under this fund, including: a scholarship programme for university entrants; a training and employment programme; a funding programme for small- and medium-sized enterprises; and a programme to help small farmers market their products. Delegates are welcome to use e-mail addresses ([alkabbani.group@yahoo.com](mailto:alkabbani.group@yahoo.com) and [mnsaeed@yahoo.com](mailto:mnsaeed@yahoo.com)) to obtain more information on Saudi Arabia's pioneering experience in social development.

#### **Mr. M.S. Jonathan (Lesotho)**



Some LDCs have made a significant improvement in economic growth but others have not. Lesotho is a

landlocked country surrounded completely by South Africa, an economic giant, and we are still struggling. It is our fervent hope that the actions of WTO will give the weak a stronger voice and continue to stimulate economic growth and the creation of quality jobs that allow our peoples to improve their living standards. We cannot distribute poverty; we can only share wealth that comes from good economy. As parliamentarians, we should strive to make good laws supporting the growth of our economies for the benefit of the poor, marginalized and voiceless in our countries.

**Mr. T. Babikir Mohamed (Sudan)**



The global crisis has had an impact on all countries, including developing countries. Resources earmarked for infrastructure and other areas have had to be redirected, and the reduction in the resources allocated by the United States to cotton producing countries has led to an increase in poverty in Africa. The Enhanced Integrated Framework has been affected, as our sponsors are not carrying out their obligations fully. I would appreciate more information regarding the Enhanced Integrated Framework and the relationship with resources, including technical assistance provided by international organizations. If the assistance received is not long lasting, how can we help these countries to combat poverty? What action will be taken to ensure that these countries have the resources to combat poverty, including sufficient funds for education?

**Ms. M. Jansen (Discussant)**

I would like to thank the representative of Saudi Arabia for the information on his country's activities

in the labour market. Such activities can help economic growth and can result in poverty reduction and employment. Funding options can include a national fund, and training financed in part by the government and by employers, which has served to create jobs.

It is my understanding that there has been a recent independent monitoring exercise of the Enhanced Integrated Framework, and that the evaluation was quite positive. Those involved know that it is not always easy to work through the Enhanced Integrated Framework and that the success of activities depends, to a large extent, on the country. The Enhanced Integrated Framework seeks to ensure that money to trade is donated through one centralized system. In the interests of greater coherence, it seeks to facilitate collaboration among all the agencies involved and to address the issue of national government ownership to ensure that the views and priorities of the government are heard.

The actual implementation unit of trade projects receiving funding through the Enhanced Integrated Framework is situated within the national trade ministry. The Enhanced Integrated Framework also seeks to ensure that the limited funds available for capacity building are implemented in an effective manner. Collaboration among donors, implementing agencies and the government is required. This is not always easy to achieve and requires a lots of goodwill on all sides.

**Mr. P.C. Chacko (Rapporteur)**

Many national governments have their own flagship programmes for poverty alleviation, training, redeployment and production support. The examples given by Saudi Arabia are benefiting thousands of people and such activities are complementary to our efforts here. With regard to problems of coordination among the various agencies providing aid, I agree that there has to be discipline and that the assistance provided by multiple agencies must be streamlined and centralized. However, the fact remains that the global economic crisis is affecting the LDCs and developing countries comparatively more than other countries. The Doha Round of negotiations will have implications for the budgetary support that developing countries are able to provide for education and training. We live in a changing world

and today's jobs will not be there tomorrow. We need to train the next generation to do better jobs so that their income earning potential is greater, and training and redeployment must therefore be part of the efforts.

**Mrs. I.R. Simamora (Indonesia)**



My country trusts that all parliamentarians will support the 9<sup>th</sup> WTO Ministerial Conference to be held in Bali in December 2013. Parliamentary support is crucial to bridge the impasse in the ongoing negotiations on trade liberalization, and will help to foster the achievement of a balanced, transparent, inclusive and non-discriminatory conclusion of the Doha Round.

**Mr. N. Navaratna (Thailand)**

More and more people in some developing countries attach decreasing importance to global and international organizations such as the WTO because of the failure to find a fair solution to issues

affecting the world economy. Some such countries are favouring free trade agreements and regional organizations. I personally am a strong supporter of the WTO and would like developing countries to work more closely with the WTO to enable it to meet the expectations of the world's citizens.

**Delegate of Bahrain**



Social development and sustainable economic programmes are being implemented in Bahrain to make poorer households less dependent on the welfare system and encourage entrepreneurship. A bank has also been established to support social development programmes, and Bahrain has been working actively with organizations in the field of development. As a result of these initiatives, and the new plan launched in February 2012 to combat poverty, unemployment in the Kingdom has fallen to 4 per cent.

