

# **Make trade work for the poor**

*As we enter a new millennium, we must make trade work for the poor. We must show sensitivity to the needs and concerns of the weaker partners in the global trading system.*

Kofi Annan, United Nations Secretary General

## **Position paper on UNCTAD, on the occasion of its Tenth Conference in Bangkok, February 2000**

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# Make trade work for the Poor

## Summary

There is an urgent need for UNCTAD to take a lead in promoting new approaches to development that favour poorer people and countries – in part because of the failures of today's international economic managers. Many governmental organisations still do not put human development at the heart of their policy-making, and place excessive faith in economic liberalisation as the answer to all ills. However, the weakening of the 'Washington consensus' creates opportunities for UNCTAD to influence development thinking. At the same time, the WTO and IMF have lost a measure of legitimacy and credibility, giving UNCTAD the chance to recover a more dynamic institutional as well as intellectual role. This should encompass direct support to developing countries, along with a contribution to the reorientation of powerful global institutions towards the pursuit of sustainable and equitable development. Oxfam believes UNCTAD's distinctive contribution to the achievement of the 2015 development targets should be:

- To act as forum for developing-country governments to share ideas on 'pro-poor' economic development strategies, and to build political consensus;
- To carry out research on key economic issues from a development perspective, with a strong focus on distributional issues;
- To provide technical assistance and capacity building services;
- To address issues relating to TNCs, given their power in world markets.

It may not be appropriate for UNCTAD to become a framework for negotiating binding international agreements. However, **we believe UNCTAD should seek to be as 'propositional' as possible in its areas of expertise, resisting the pressure from some industrialised countries to limit it to a more passive and technical role.**

UNCTAD can act as a political counterweight to the WTO and help developing countries promote reform of trade agreements. The Secretariat can monitor and evaluate agreements, as well as provide technical back-up to members. The Bangkok conference provides an opportunity for the rich countries to rebuild their dialogue with the South, though this requires real concessions on issues of substance, such as access to Northern markets.

Oxfam proposes that UNCTAD's work programme focus on the following policy issues:

- Trade policy, particularly market access for developing countries
- Investment regulation
- Closing the 'knowledge gap'
- Stabilising commodity and financial markets
- Financing development, with a focus on national and international taxation
- TNCs (an issue that cuts across all the others)

To be an effective advocate for equitable development, UNCTAD need partners and allies. **It will have to count on solid backing from its developing country membership, as well as from the more enlightened industrialised countries. This support must be financial as well as political.**

UNCTAD could also benefit from more consistent support from NGOs - the proposals from Rubens Ricupero regarding civil society participation in the work of UNCTAD are a welcome step towards this.

## **1. Why UNCTAD is needed**

In the coming years, there is both a need and an opportunity for UNCTAD to take a lead in promoting new approaches to development that favour poorer people and countries. The persistence of mass hunger, and the lack of progress towards the 2015 international development targets, are grounds enough for making UNCTAD into an effective advocate for development. However, the arguments for a strong UNCTAD are reinforced by the failures of today's international economic managers.

Many governments and inter-governmental organisations still do not place human development and poverty reduction at the heart of their policy making. There is excessive faith in economic liberalisation as the key to growth, and a presumption that growth will automatically provide jobs and incomes for people in poverty. This faith has been shaken by the emergence of international financial instability, and by the recognition that liberalisation does produce losers as well as winners. As a result, the need for regulation and 'growth with equity' is becoming part of official discourse, even though the management of the international economy remains firmly rooted in narrow commercial concerns. This weakening of the so-called 'Washington consensus' creates opportunities for UNCTAD to influence development thinking and to promote alternative policies.

At the same time, the institutions charged with administering the world economy have lost a measure of legitimacy and credibility. The IMF has been widely criticised for its handling of the East Asia crisis, and for its subordination to US economic interests. The WTO has found it hard to deal with the conflicting interests of its members, and the pressure from the public for trade rules to incorporate social and environmental considerations. The developing countries, while often not of one mind on economic policies, are united in demanding a greater say in multilateral rule-making. In this context, UNCTAD has the chance to recover a more dynamic and pro-active institutional as well as intellectual role, comparable to that played in the 1960's and 1970's. This revitalised role encompasses direct support to developing countries, along with a contribution to the reorientation of powerful global institutions, such as the WTO and IMF, towards the pursuit of sustainable and equitable development.

## **2. UNCTAD's distinctive competence**

- UNCTAD is a unique forum for developing-country governments to share ideas on 'pro-poor' economic development strategies, and to build the political consensus that is necessary for their effective intervention in multilateral decision-making.
- UNCTAD can carry out vital research on trade, investment and wider socio-economic issues, to help countries achieve equitable and sustainable growth. In this context, it could examine the appropriate balance between liberalisation and regulation, and the 'flanking measures' needed to ensure that more open economies generate positive outcomes for those in poverty. Distributional issues, especially within countries, should be a central feature of this policy work.
- UNCTAD can also provide technical assistance and capacity building services in the economic policy field for developing countries, particularly for the least-developed. This should include enhancement of the negotiating capacity of poorer states in multilateral forums. These functions should not become the preserve of the World Bank and WTO.
- UNCTAD should expand its work programme on transnational corporations, given their enormous weight in world markets. UNCTAD has a unique role in monitoring the impact of TNCs, drawing up regulatory proposals from a development perspective, and helping developing countries in their dealings with companies.

All these functions should be defined with explicit reference to human development goals, and their success judged by their contribution to the 2015 international development targets.

It may not be politically feasible, or indeed desirable, for UNCTAD to become a framework for negotiating binding international agreements on economic matters. However, **we believe UNCTAD should seek to be as 'propositional' as possible in its areas of expertise, resisting the pressure from some industrialised countries, including the EU, to limit it to a more passive and technical role in analysis and capacity building.**

### **3. UNCTAD's role in relation to the WTO**

The WTO has so far failed to put development in the forefront of its concerns, despite the rhetoric of the principal trading nations. UNCTAD can act as a political counterbalance to the WTO and play a major part in promoting WTO reform. Developing countries are particularly concerned to address the implementation issues arising in existing WTO agreements, and to restore the vital principle of 'special and differential treatment' for poorer economies. Many also believe that this is not an appropriate moment to expand the WTO agenda, especially since agriculture and services are already scheduled for negotiation.

Following the failure of the Seattle Ministerial Conference, UNCTAD X in Bangkok will provide a space for developing-country governments to review their strategy and tactics in relation to the WTO, and to develop proposals for institutional reform which will guarantee them a stronger voice in any new talks. It also provides an opportunity for the industrialised countries to rebuild their dialogue with the South, though this requires real concessions on issues of substance, such as access to Northern markets. **Oxfam believes that unless the rich countries immediately deliver on the proposal for tariff and quota-free access for the least developed countries, any claim that the WTO is pro-development will ring extremely hollow.** In this context, it is particularly regrettable that the USA is only sending a low-level delegation to Bangkok.

UNCTAD could undertake reviews of the impact of the Uruguay Round. This would look at the social, economic, environmental effects of the agreements, with particular emphasis on disaggregating national data in order to see the differential impact on sub-regions and disadvantaged social groups, and by gender.

UNCTAD could help monitor the implementation of WTO rules, such as those covering dumping, subsidies, intellectual property, trade-related investment measures, etc. This would strengthen the position of the many developing countries that rightly wish to revise these agreements. This would also enable UNCTAD to better inform developing countries of the opportunities to defend their interests under present WTO rules, e.g. by using provisions for compulsory licensing of medicines under the TRIPS agreement.

UNCTAD could also step up its capacity building on WTO issues, prioritising the least-developed countries. This assistance should be aimed at helping countries to understand the development dimension of subjects under discussion, and to be more effective negotiators.

## **4. Priority issues for UNCTAD's attention**

Based on our experience in fifty developing countries, we would propose that UNCTAD's work programme focus on the following policy issues:

### **Trade**

The industrialised countries have put pressure on the developing world to open up its markets, while hypocritically protecting their own markets from the products in which the developing world is competitive (notably agriculture, textiles and leathersgoods). They also persist in dumping subsidised food products abroad. The scale of the losses to developing countries is such that trade, inside and outside the WTO framework, must remain a central feature in UNCTAD's policy work portfolio. This can build on the invaluable research to date, not least the Trade and Development Report, which an essential reference for those concerned with development, whether in government or in NGOs such as Oxfam.

### **Investment**

The collapse of the Multilateral Agreement on Investment (MAI) and the failure of the OECD countries to put investment on the WTO agenda allows UNCTAD a greater role in defining the terms for any discussion of investment rules and ensuring a 'pro-poor' perspective. Even without multilateral talks, new rules are frequently being incorporated into regional and bilateral economic agreements. The Bangkok conference could begin to lay out the principles, process and institutional mechanisms that should underpin multilateral rule-making. UNCTAD could carry out further, and more questioning research into the conditions under which FDI plays a positive or negative development role, including the domestic policy environment. This could feed into proposals for binding codes of conduct that define investor responsibilities - a needed counterbalance to investor rights.

### **Knowledge**

Knowledge is becoming much more important in a modern economy, yet the 'knowledge gap' within and between countries is growing. Intellectual property rules increasingly favour corporate interests, thereby increasing the cost of technology for developing countries and leading to bio-piracy and the privatisation of social knowledge. Deregulation of investment is simultaneously limiting the capacity of countries to ensure technology transfers. UNCTAD could build on its existing expertise to critically examine relevant international agreements in this field, which include the WTO TRIMs and TRIPs agreements, and to propose revisions that give greater weight to development considerations and the public good.

### **Commodities**

It is widely recognised that volatility and declining prices in commodity markets are extremely damaging to developing economies. We believe that UNCTAD, building on its long experience, should lead efforts to research and propose new policy measures that address these problems. While some of the ideas from the 1960's and 1970's have proved unworkable, there is scope for reducing price fluctuations for producers through a combination of risk management and insurance schemes, as well as use of buffer stocks. Efforts to promote export diversification and commodity processing remain important, though these supply-side efforts must be complemented by improved access to Northern markets, where tariff escalation and peaks still act as a disincentive to developing-country exporters. UNCTAD could also support the expansion of 'fair trade' schemes that encourage small-scale exporters.

## **International Finance**

G7 countries and the IMF remain enthusiastic about capital account liberalisation, in spite of the risks posed by financial instability. It is therefore important that UNCTAD researches and proposes regulatory policies to be implemented nationally and internationally. This will include tighter control of financial institutions, and disincentives (market-based or administrative) to destabilising short-term capital flows or currency speculation. Research is also needed on whether and how portfolio flows can contribute to long-term development.

## **Financing development**

The ability of developing-country governments to finance health and education services and 'pro-poor' economic development is being seriously undermined. The debt burden is a familiar culprit, which still demands urgent attention, but there are new elements to the 'fiscal challenge', notably the increasing difficulty in taxing business and, for some countries, the loss of trade tax revenue following liberalisation. Given the increasing mobility of capital, and the expanding scope for transfer pricing due to growth in intra-firm trade, there is a need for coordinated international action. UNCTAD's policy work could cover taxation at both national and international levels, including closure of tax havens. It would be important to look creatively at personal taxation as well, as this is a subject neglected by the international financial institutions. It also remains important for UNCTAD to address the long-standing issue of the quality and quantity of aid flows, as these still provide essential support for the least-developed countries, and for countries facing economic hardship as a result of conflict or calamities.

## **TNCs**

Cutting across the issues noted above (investment regulation, taxation, intellectual property, etc.) is the question of the TNCs and their increasing economic and political power. UNCTAD should prioritise policy work on TNCs, as no other agency deals with them in a comprehensive way. Analytical studies should be combined with the promotion of both corporate social responsibility, and national and international regulation, such as anti-trust policy. UNCTAD can help ensure that the development dimension is adequately addressed in all voluntary and regulatory initiatives. To this end, it could usefully foster discussion between developing country governments, other UN agencies, business, unions and NGOs. Providing practical assistance to developing countries and their regional associations in negotiating with TNCs is also important.

## **Labour, Health and Environment**

UNCTAD should develop a 'positive agenda' on the appropriate relationship between international economic agreements, and labour, health and environmental concerns. This relationship has proved a vexed issue at the WTO, where developing countries have rightly objected to neglect of development considerations, and to the protectionism underlying some national positions. However, Southern governments are widely perceived as blocking initiatives without offering alternatives. UNCTAD, together with other specialised agencies, could contribute to a fresh look at global agreements on these subjects, and their interaction.

## 5. UNCTAD relations with other actors

If UNCTAD is to be an effective advocate for equitable and sustainable development in the international arena, it will need partners and allies. **At the governmental level, it will have to count on solid backing from its developing country membership, as well as from the more enlightened industrialised countries. This support will have to be financial as well as political.**

Cooperation with other UN agencies will also be important, as will the construction of alliances with those in the Bretton Woods institutions and regional development banks who are genuinely committed to making poverty reduction 'the front and centre' of economic policy-making.

UNCTAD could also benefit from more consistent support from non-governmental organisations, North and South, that endorse the idea of a revitalised development mandate for the institution. The statements from Director General Rubens Ricupero regarding civil society participation in the work of UNCTAD are a welcome step towards consolidating such support. A working group charged with making specific proposals could take up his ideas and others.

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