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EXPERTS STRESS NEED TO AVOID PROTECTIONISM, AS ROUND TABLE DISCUSSES TRADE AS ENGINE OF DEVELOPMENT

In the face of the global financial crisis, the Doha Development Round must be concluded as soon as possible, and protectionism and unilateralism must be avoided in order to make trade "the most powerful tool for growth and production", experts told participants in a round table on "International trade as an engine of development".

In opening remarks, moderator Valentine Rugwabiza, Deputy Director-General of the World Trade Organization said that, while the financial crisis had its epicentre in the industrialized economies, its impact was felt everywhere and would also affect international trade. Trade and development were inextricably linked but the benefits of greater integration had not reached everyone. One of the World Trade Organization's objectives was to create a level playing field for all trading partners through fair and equitable rules. A successful conclusion of the Doha Round would offer new opportunities.

Stressing that "Aid for Trade" was not part of the Doha Development Round, she said that initiative aimed to help developing countries, particularly the least developed ones, to build trade-related infrastructure and capacities. The Doha Development Round was about making more trade possible for a greater number of countries, while "Aid for Trade" was about making trade happen for countries lacking capacities to take advantage of the opportunities it offered.

Convened at the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha, Qatar, the discussion was the third in a series of six round tables planned for the event. It was co-chaired by Anna Vilma de Escobar, Vice-President of El Salvador, and Olga Algayerova, State Secretary of the Ministry of Foreign Affairs of Slovakia.

Expert members of the panel were Pedro Luiz Carneiro de Mendonca, Under-Secretary-General for Economic Affairs of Brazil; Debapriya Bhattacharya, Permanent Representative of Bangladesh to the United Nations and President of the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD); Miguel Hakim, Secretary for Ibero-American Cooperation; Abdoulie Janneh, Executive Secretary of the United Nations Economic Commission for Africa (ECA); Sun Zhenyu, Ambassador of China to the World Trade Organization; and Paavo Vayrynen, Minister for Foreign Trade and Development of Finland.

After briefly tracing the pattern of trade in development for the past two decades, Mr. Carenio de Mendoca said that, while trade policies during that period had been tied to the measures and policies of the United States and Europe, the emergence of Asia might now lead to a

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dramatic change in the international trade and development situation. Further, a successful conclusion of the Doha Round might bring new opportunities, especially towards the elimination of agricultural subsidies and the expansion of markets to encompass goods and products from developing countries. And while "Aid for Trade" initiatives would build export capacity and strengthen trade-related infrastructure, completion of the Doha trade negotiations "was no longer an opportunity but had become a necessity".

Mr. Bhattacharya said trade initiatives must be supported but there were other engines that could drive growth, such as ensuring a vibrant private sector, boosting agricultural performance and promoting foreign direct investment. Stakeholders should also recognize that "trade" involved not only the movement of goods but services as well. The real challenge for international trade in the current climate was identifying ways to ensure it did not slow down, and ensuring that marginalized and low-income countries were integrated into world markets to strengthen the process and make it sustainable.

He said that, in the face of the global crisis, now was the time to resist protectionism and unilateralism, and to champion multilateralism, adding that the Doha Round should be concluded by 2009. Market access must be equitable and duty-free for all products from all least developed countries. The only country not offering that was the United States.

Tracing the international community's progress on the development financing agenda, Mr. Hakim said that since Monterrey, nine countries had joined the World Trade Organization, so on that score, there had been some improvement. Moreover, in the six years since the adoption of the Consensus, there had been significant growth in the Latin American and Caribbean region and elsewhere. While there might be some doubts about the efficiency of official development assistance¸ there had been an increase in development assistance. Furthermore, South-South cooperation in the Ibero-American region outstripped official development assistance.

As for implementation of the Doha Round, one would have to say the international community had failed, he said. What was needed now was the political will to successfully wrap up those negotiations. During the last round of talks¸ delegations "had never been closer" to reaching agreement on contentious issues, including those involving agricultural subsidies. The present Conference should, therefore, give an enormous political push to conclude the Doha negotiations as soon as possible.

Mr. Janneh stressed that Africa needed to identify ways to harness trade so as to drive sustainable development. The continent faced major supply-side constraints because it lacked the basic infrastructure to facilitate the export of goods or connect various countries to global markets. It also lacked the capacity to meet international product standards. Africa was also burdened with high transport costs, a serious constraint for its many landlocked countries, and lacked capacity in many sectors crucial to enhancing development. It was also failing to diversify its commodity base.

If "Aid for Trade" were properly harnessed, Africa could overcome some of those constraints, he said, adding that global integration remained an imperative for the realization of the benefits of globalization. "Aid for Trade" was an important catalyst for integration. While completing the Doha trade Round was critical, if anyone believed "by any stretch of the imagination" that by wrapping up those negotiations, Africa's situation would change immediately,

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they were mistaken. Rather, “Aid for Trade” initiatives would have myriad catalytic effects, especially for landlocked countries. “Aid for Trade” would help the continent address, among other things, constraints on trade policy and regulations; trade-related infrastructure needs; and the building of productive capacity for diversification.

He went on to note, however, that “Aid for Trade” should not be promoted at the expense of other development assistance programmes. “Aid for Trade” resources must be earmarked for the sectors in which they would do the most good. The ECA was working to promote “Aid for Trade” initiatives on the continent, and had partnered with the African Development Bank and the World Trade Organization to help African communities refine their trade and finance strategies. Among other things, it was helping to set up regional meetings to monitor performance.

Mr. Sun said that, because China had aroused some interest in the area of trade over the last few years, the country had enjoyed a long trading tradition, as illustrated by the Silk Road, until trade had been forbidden in the sixteenth century. China had then become isolated for centuries. Since the adoption of the “open policy”, the country’s economy had changed profoundly, with high growth over decennia. Trade represented 60 per cent of China’s gross national product, and foreign investments had also played a big role. More than 400 multinational companies had now invested some $780 billion. As a result, more than 200 million people had been lifted out of poverty. The country would, however, suffer greatly from the financial crisis.

In order to address that crisis, there was a need to strengthen the financial system and restore confidence, he said. Although cuts in interest rates and taxes were helpful if trade financing were necessary as were stimulus packages worldwide. It was important to fight trade protectionism and to conclude the Doha negotiations as soon as possible, drawing lessons from the 1930s. There was a need to reduce subsidies, especially on agricultural products from developed countries, and to grant least developed countries duty- and quota-free treatment.

Describing trade as the most important engine for development, Mr. Vayrynen said poverty reduction had been most successful in countries that had created growth in the private sector, usually on the basis of opening their borders and integrating into the world economy. There was an urgent need to conclude the Doha talks, and agreement was possible at a new ministerial meeting planned for the Christmas period. Another important round of negotiations on free-trade agreements was taking place between various countries and groups of countries.

South- South trade cooperation was very important, he said, urging emerging economies to follow the European Union’s example in granting least developed countries full access to their markets. All donors should abide by the principles of ecologically, economically and socially sustainable development. Trade was an important factor in promoting economic sustainability. Finland, a developing country in the past, had enjoyed a gradual integration into the world market, with a gradual opening of its markets having proven a key factor in its development.

In the ensuing discussion, many speakers from developing and low-income countries called for equality in global financial mechanisms and institutions, especially the World Trade Organization. India’s representative called for a recalibration of the international trade regime so that all countries could participate equally in negotiations and benefit equally from the results.

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Several speakers said their applications for membership in the World Trade Organization had been pending for "quite some time", with Libya's representative noting that, in the meantime, developing countries should take part in regional programmes and initiatives that could help them harness the potential of trade to finance development. The Congo's representative pointed out that no speaker this afternoon had mentioned the importance of ensuring and maintaining peace. It was clear that an enabling environment for development, including the promotion of trade and investment, could not be achieved without it.

Bolivia's representative said international trade schemes should rectify current imbalances by giving preferential treatment to developing countries, adding that, while the successful conclusion of the Doha negotiations was very important, it would not work under artificial deadlines. Any agreement reached must reflect the demands of developing countries and reflect current realities. The result should not restrict the right of countries to set their own development financing policies.

Reacting to the many calls for the conclusion of the Doha negotiations, a civil society representative said they were "something of a red herring". The time until the end of the Conference would be better spent in reviewing a number of challenges facing developing countries that were not even on the agenda of the Doha talks. After all, for the past seven years there had been no progress although global growth, driven by trade, had grown during that same period. Financing for development was the only platform from which to discuss such issues as how to derive public revenues from trade; "Aid for Trade"; enhancing trade-related infrastructure; breaking the export debt cycle; and systemic issues affecting trade, such as access to credit and dealing with exchange rate volatility.

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