

Speaking Notes for the Roundtable on the "Macroeconomic Dimension of Inequality", UNCTAD Public Symposium, Geneva, 18 June, 2014

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- First of all, let me state my problem with the title of the event and the discourse i.e. inequality. For us in the developing world, poverty and extreme poverty are the greater problem than inequality. Therefore the discussion on inequality may apply to rich countries but may not apply in the same measure in the poor countries. This is not to say that inequality is not an issue in the poor world.
- Having said that, let me turn to inequality, nay inequity, among countries which deny the poor in the developing world to get out of poverty. My focus will be on the world trading system. If one looks at the preamble of the WTO agreement, it stresses on creation of jobs etc. That has also been stressed in the preamble of the WTO's High Level Stakeholders Panel on the Future of Trade, of which I was a member. Its report was published in April, 2013.
- Given the right conditions, trade liberalisation can be an effective tool for poverty alleviation and reduction in income inequality. However, in order to achieve this, the underlying inequity and unfairness of the global trading system and its related aid arrangements need to be addressed.
- At present, the global trading system disadvantages the poorest within the trading system. This inequality is demonstrated by facts such as that the average tariff in OECD countries on imports from other OECD countries is significantly lower than imports from non-OECD countries. According to a study published in 2012, total exports from Bangladesh to the United States in 2002 valued at USD 2.5 billion were levied the same amount of tariffs (around USD 300 million) on as total exports to the United States from France valued ten times higher at USD 30 billion. Additionally, the areas of trade where barriers are the highest such as agriculture and textiles are also the areas of most importance to developing countries, being labour intensive and job creating.
- There are significant parts of developed countries' trade policies that substantially restrain the development of poor people and constrain the ability of developing countries to participate in international trade. This current inequality that the global trading system is experiencing is due to a number of reasons:

- The first is system-related. There currently remains major implementation concerns of the Uruguay Round agreements in respect to their development dimensions and the most important ones which are yet to be resolved. As such, the results of the Uruguay Round have led to adverse terms of trade faced by poor countries.
- Secondly, increasingly, non-tariff barriers faced by developing-country exporters are becoming more important than tariff barriers themselves. Standards and intellectual property regimes are getting higher and higher and are they hindering poor countries market access including their ability enter into global value chains.
- The third is the impact of negative terms-of-trade effects. High domestic subsidies and tariffs in agriculture and high tariffs in products of mass consumption in the rich world deteriorate the term of trade of developing countries. Policies such as escalating tariffs of certain advanced industrial countries impede developing countries trade and development. Altering these policies could result, in some cases, net positive benefits to the developed countries.
- Given the current state of the Doha Round, as it stands, there is no imminent prospect of a pro-development reform to the trading system through formal rounds of multilateral liberalisation. Therefore, it is imperative to install alternative mechanisms to rebalance the global trading system and make trade work for poor people. To achieve this, in his paper entitled “Right to Trade” Stiglitz proposes that members of the World Trade Organisation adopt a general ‘right to trade’ operating within the dispute settlement body that allows developing countries to legal recourse against advanced countries whose policies materially impact the development of poor countries by restricting their ability to trade.
- The importance for a Geneva Consensus on Trade is therefore imperative in fostering equality in trade. Trade inequality is one of the most overlooked injustices today and in order to address this we need to establish a Geneva consensus that will establish a new basis for the opening up of trade that takes into account the resultant cost of adjustment. The pertinent need for this is why this remains a major advocacy point for CUTS International. In order for the WTO to act as an effective regime (particularly for convergence of diverse expectations), we need a Geneva Consensus on Trade.