27 Nov. 2013

Statement at the 2013 European Development Days session 'Vulnerable Countries in the post-2015 Framework'

by ITC Communications

Speech by Ms Arancha González, Executive Director, International Trade Centre Delivered on 27 November 2013 at 2013 European Development Days roundtable event 'Vulnerable countries in the post-2015 Framework', Brussels, Belgium.

Thank you to Patrick Guillaumont for inviting me to participate in this panel today on Vulnerable Countries within the Post 2015 Agenda. It is one of those global issues that, we as the development community, must seek to address if we are truly to tackle issues of global peace and security, economic stability, employment opportunities for women, youth and other marginalised groups, and ensuring productive and sustainable growth.

The base question that we should first examine is what are the different facets of vulnerability? Are some countries endemically and structurally vulnerable because of their geography or economic profile? Are some vulnerable because they are post-conflict countries? Are others vulnerable because of restrictive policies in other markets? And yet, are others vulnerable as a result of under developed policies at home?

Vulnerability is in many cases situational and this necessitates specific and targeted thinking and interventions to either reduce or eradicate the vulnerability or to manage the levels of fragility.

Trade and development institutions have to tailor their products and interventions to accommodate these complexities. As we often say about 'special and differential treatment'- a one size fits all approach will not bring the development dividends required. It instead has to be sensitive and reactive to the economies it is designed to assist.

There are some countries that face structural vulnerabilities. Let us take three examples of this and briefly look at how these economies have sought to manage these vulnerabilities and how we as the development community can assist.

Land-locked developing countries have long been seen as isolated, expensive and delinked from the routes of global commerce. Africa, the most vulnerable continent, has the most land locked countries. The lack of territorial access to the sea, isolation from world markets and high transit and transaction costs have historically imposed serious constraints on the overall economic development of landlocked developing countries and further undermined the growth potential of the vulnerable communities within the LLDCs. Research from the Economic Commission for Africa has shown that on average transport costs for these countries are as high as 77 per cent of the value of exports with the cost of doing business up to 30 per cent higher than transit countries. No country can be truly competitive in that circumstance.

Fifty years ago the future for LLDCs was bleak. This however is changing. Trade figures for this group of countries have increased from $33 billion in 2003 to $224 billion in 2011 (although it is to be noted that the total share of LLDCs in global trade still remains around 1.2 per cent) and innovations in transport and technology means that constraints that had previously seemed insurmountable are now manageable.

Maybe one day in the future the innovators of this word will develop a solution to address 'land-lockedness' or the size of 'small islands' but for now we have to rely on three things: using transportation and technology to create a notion of land-linkedness; upgrading the policies of LLDCs, LDCs and SIDs to focus on areas where they could build some form of economic competitiveness i.e. SMEs in advantageous sectors such as agriculture and agribusiness and financial services; and ensuring that the global and regional trade rules provide opportunities for these countries rather than challenges.

At the ITC we are approaching our policy interventions from all three of these angles. We are increasingly moving to the development of e-solutions and e-platforms as ways to help countries address their challenges in accessing markets. The virtual market is an area of incredible potential for those without direct links to the market. This requires considerable investment in telecommunications and energy infrastructure, in skills upgrading and in supporting enhancement in the productive capacity of exporters to allow their goods and services to be internationally competitive. This may entail facilitating niche production or assisting with packaging, branding and marketing. The ITC has the tools and the expertise to do this and is working with Nepal on textiles, with Burkina Faso on cotton, with Lesotho on mushrooms and potentially with Myanmar on tourism.

LLDCs- and indeed other vulnerable categories of countries- also have the responsibility to ensure their domestic policies do not further add to the complexity of doing business there. One only has to look at Rwanda's rapid rise up the Doing Business Indicators to realise the importance of government policies in pushing the boundaries of what is possible. The fact remains that more than 40% of all landlocked countries limit the number of licences granted in the fixed-line telecom market and that limited liberalisation in the air transport sector has meant that flight access to the LLDCs and to some SIDS is challenging. These countries have to approach Services and the liberalisation of services around manufacturing, agriculture and logistics as enablers rather than restrictions on domestic policy space. The ITC's work in tourism and cultural services and its work on the logistics services reform agenda through promoting evidence-based business advocacy and public-private dialogue around this issue is one concrete way that we can support this.

One global deliverable that would have an impact on LLDCs, LDCs and SIDs is the completion of the negotiations on Trade Facilitation at the WTO Bali Ministerial next week. Creating a legally binding basis for transit in particular, coupled with the necessary technical assistance and capacity building will give the injection of transparency and predictability which is needed. The ITC has just launched a catalogue of services related to how it can help countries and SMEs implement, operationalize and understand the elements of the Trade Facilitation Agreement.

This notion of structural vulnerability also comes into play when we look at the situation of SIDS. The Pacific for example, is a region of great potential but is geographically very far from the major markets and transportation costs and transportation links between the islands are expensive and challenging. The Pacific cannot be physically brought closer to the markets but the markets can be brought closer to the Pacific. In the Caribbean, they do not have the problem of access to markets but rather there is a problem with limited intra-regional trade and challenging regional transportation. This is also a problem faced in Africa where the levels of intra-regional trade are actually less now than they were thirty years ago. This is where the notion of regional supply and productive chains can play an important part. There is a factory in Samoa that produces electrical parts for Japanese cars for example!

The issue here, as with LLDCs, is how we can support these countries to maximise their potential. In the Caribbean the level of education and skills automatically lends itself to services as the focus of the policy direction. Tourism is central to the SIDS in the Pacific and the Caribbean and more work needs to be focused on how these countries can better use the notion of a regional value chain in tourism to maximise benefits across the region. These are all areas that the ITC is poised to work on with the respective regions.

Another pillar of vulnerability is that of post-conflict societies. This demands the attention of the international community as addressing the rebuilding of these economies is critical for global and regional peace and security. This is an area that the ITC has realised we must address in a more cohesive manner. We have worked with post-conflict countries in a more dispersed manner in the past but we are in the process of examining how we can provide a more holistic form of support to these countries. We are currently working with Palestine on a national export strategy, Yemen and Liberia on their WTO accession and Haiti through ethical fashion sourcing from poor communities.

Vulnerable economies often have vulnerable communities. Women, youth and other marginalised actors. The ITC, through its Women and Trade work, its ethical fashion programme, its green trade interventions and its support to SMEs to allow them to be export ready, as just some examples of how we are working on vulnerability on the ground.

An example of this is the Ethical Fashion Initiative where the ITC works with poor women and poor communities to create employment, income and skills upgrading. Since 2009 the programme has been implemented in Kenya, Ghana, Burkina Faso and Mali, with pilot activities in Haiti, and we are in the process of scaling this up to other regions such as in the Middle East, Asia and Latin America.

In the context of this discussion, one also needs to look at the different dimensions of the post-2015 development agenda framework which comprises three main pillars of economic development; social inclusion and environmental sustainability.

The post 2015 debate will not adequately address the notion of vulnerability unless it approaches the issue from this multi-faceted perspective. Vulnerability is a complex issue that requires a complex series of solutions.

At the ITC, we fully agree that the three pillars are inter-connected. For this reason, in our approach to developing countries we focus on inclusive economic development which contributes to environmental sustainability.

The largest untapped source of inclusive broad-based growth is the SME sector. Support to SME competitiveness translates to jobs for women and youth in least developed countries; post conflict countries; land-locked countries; and small island developing states.

The SME sector is expected to create the largest share of jobs for close to 500 million young men and young women who will be entering the labour market by 2030. For this to happen, it requires good governance and open markets, strong trade support institutions, growth in the services sector as well as conditions that attract foreign direct investment.

To foster entrepreneurship and the integration of SMEs into value chains, a conducive domestic and international business environment is required, with attention to:

- Improving the ability and competitiveness of small and medium sized enterprises (SMEs) to trade through an open trading system. ITC's experience of tracking and reporting under goal 8 of the MDGs shows this is now less related to tariff but more so to non-tariff barriers.
- Strengthening institutions that foster entrepreneurship such as Trade support institutions.
- Facilitating economic diversification especially a greater understanding of the role of services.

Vulnerability needs to be addressed top down- ensuing that global rules on market access and facilitation of trade are conducive and support LLDCs, LDCs, SIDs and Post-conflict countries. It needs to be tackled from the bottom up- working with SMEs and vulnerable communities to provide employment opportunities and mechanisms to allow them to get out of the poverty trap. And it needs to be tackled at the 'middle level' of the policies of these countries themselves- more openness to areas where a comparative advantage can be built such as through using virtual markets, building on Services opportunities and facilitating logistics and air transport reforms.

The ITC is a partner in this. We will continue to work with these countries and their SMEs and will continue to work with our other United Nations agencies to ensure that the post 2015 debate and the resulting goals fully appreciate the complexities of 'vulnerability' and more importantly provide clear roadmaps for us to collectively help these economies to a path of stability.

Thank you.