UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
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Accelerating Global Actions for a World without Poverty

Enhancing National Productive Capacities for Job Growth and Poverty Eradication

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Roadmap

- Trade and productive capacities in the 2030 development agenda
- Challenges and opportunities: national and global constraints
- Measuring productive capacities
- Conclusion

Motivation

- The 2030 Agenda for Sustainable Development recognizes that "international trade is an engine for inclusive growth and poverty reduction, and sustainable development".

- SDGs 8 (decent jobs and growth), and 9 (industry, innovation and infrastructure). In particular, the targets :
  - 8.1 and 8.2 on sustaining per capita economic growth and achieving higher productivity through diversification; and
  - 9.2 and 9.3 on promoting inclusive and sustainable industrialization and increasing the integration of small-scale industrial and other enterprises into value chains and markets.

Source: UNCTAD (2017)

Motivation

- Trade and productive capacities:
  - At the macroeconomic level, trade serves as a source of finance, technology and knowledge for both the public and the private sector, required for economic transformation.
  - At the microeconomic level, trade impacts opportunities for consumption and production: the employment channel.
    - In developing countries export growth has led to higher output growth, yet in some cases (e.g. Africa) it has not generated meaningful reductions in unemployment: jobless growth.

Source: UNCTAD (2017)

SDGs: Challenges and Opportunities

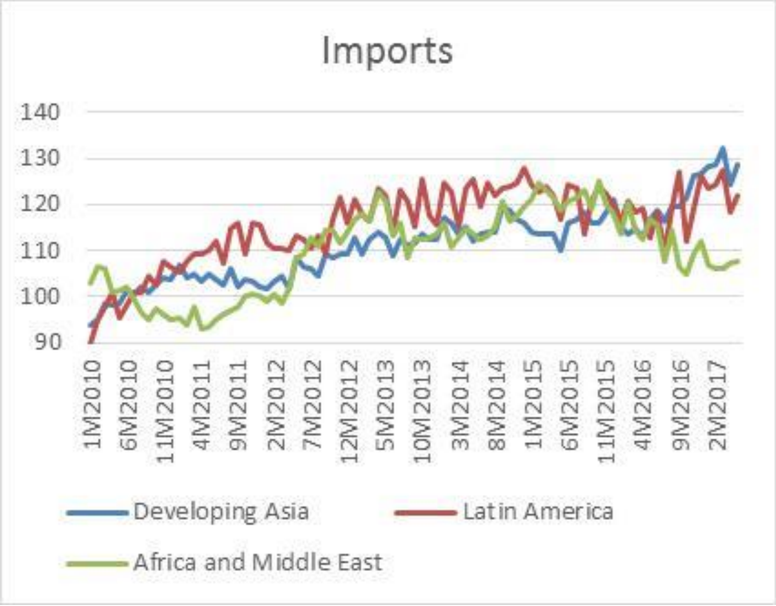
Challenges

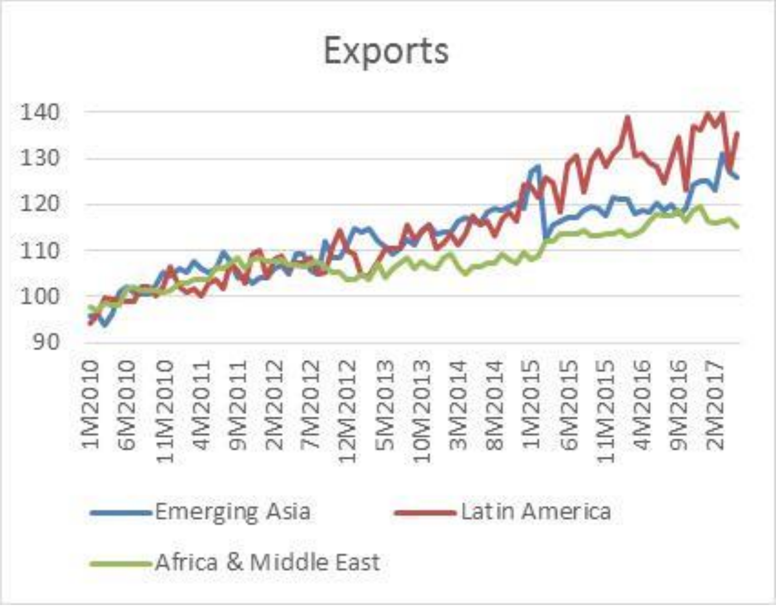
- Global trade has led to greater economic integration between countries. However, the participation of poorer and vulnerable countries (e.g. LDCs) remains very low, accounting for less than 1% of global trade exports.

- Inequality & unemployment:
  - Despite the overall gains trade delivers, it can have negative effects in some parts of the economy; those effects can have a big impact on some people's & groups livelihoods via employment and production.

  - Policies are needed that promote a more inclusive trading system, boost trade growth, and that respond to the labour displacement effects produced by trade liberalization and technological innovation.

Trade Performance:
Africa and Middle East lagging behind

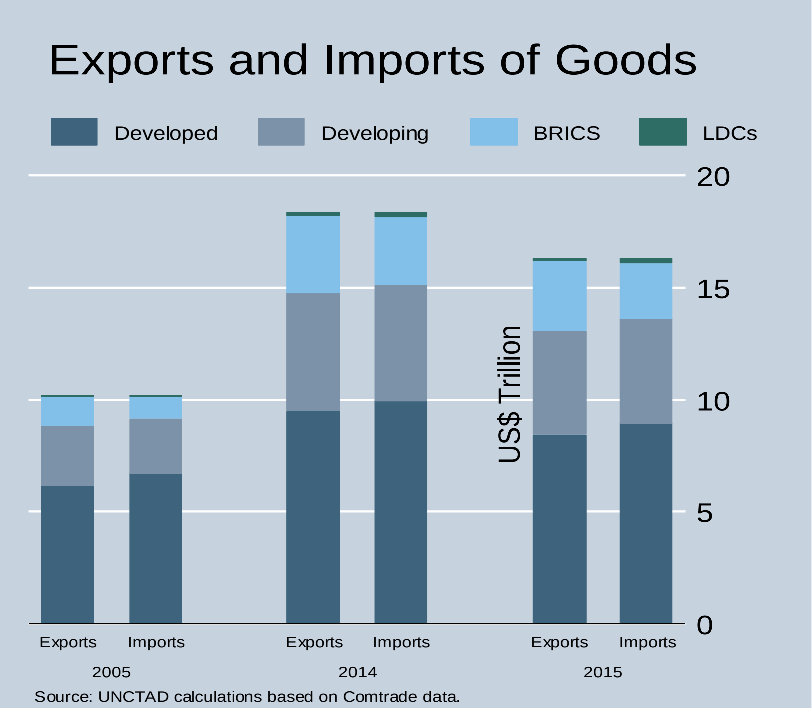


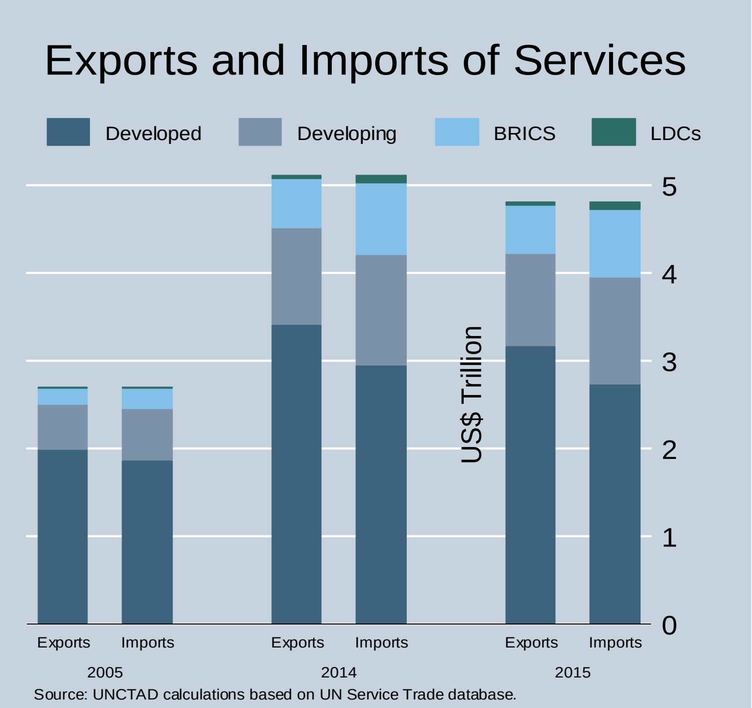


Source: UNCTAD Stats and CPB World Trade Monitor

Trade in the SDGs

LDCs participation in the global economy remains low





Enhacing productive capacities: challenges and opportunities

Challenges for Vulnerable countries

- Overdependence on few primary commodity exports;
- Weak institutional and human capital capacities to formulate and implement policies;
- Lack of financial resources;
- Rudimentary production systems; and
- Weak private sector.

Enhacing productive capacities: challenges and Opportunities

Challenges

- Divergent growth prospects: The realignment of global commodity prices has been a major setback for commodity-exporting low income and Least Developed Countries (LICs &LDCs), while benefitting others; growth remains subdued.

- How successfully can vulnerable countries implement policies to tackle macroeconomic challenges?: solid macroeconomic environment, public finances and efficient & spending.

- The quantity, quality, and accessibility of infrastructure in LICs/LDCs is considerably lower than in other developing countries: enhancing the role of the private sector in its delivery is a priority.

Productive capacities

- Productive capacities are “the productive resources, entrepreneurial capabilities and production linkages which together determine the capacity of a country to produce goods and services and enable it to grow and develop” (UNCTAD, 2016).

UNCTAD Productive capacities Index

- 58 variables across eight categories of productive capacities - weighted average (UNCTAD, forthcoming):
  1. Energy
  2. ICT
  3. Human capital
  4. Natural capital
  5. Institutions
  6. Private Sector
  7. Transport
  8. Structural change

Median values (PCI rank: 1-100):

Developed countries	Developing countries	LDCs
56.8	48.3	45.3

SDGs and Development Partners: Challenges and Opportunities

Opportunities

- *Economic policies can encourage diversification and quality upgrading, specially in LIDC / LDCs*. E.g., increasing stability, reducing direct barriers to entry, and reforming the financial sectors to help in promoting diversification.

Productive capacities

- Fostering productive capacities in structurally weak developing economies is challenging because:
  - High dependence of few primary commodities for exports
  - low financial and human resources, weak institutional capacities, low technological capabilities, and weak production linkages.

- In this context, achieving the SDGs will depend on:
  - the extent to which policies for productive capacities can be mainstreamed into domestic trade and development polices.
  - The role of development partners to effectively assist countries in lifting the binding constraints to growth and development, particularly trade-related measures.

Social policies

- Social protection programs can enhance productivity and promote resilience amongst the poor, helping them to move out of poverty (Thorbecke, 2016):
  - Facilitating the employment of poor people in productive and income-generating activities.
  - The investments are enhanced when accompanied by productive measures such as entrepreneurship training, skills training, and links to markets, thereby also addressing youth and women employment (World Bank, 2018).
  - Community-based programmes have the potential to improve the livelihoods of households and communities, contributing to resilience building and development.

Conclusion and policy recommendations

- Although trade is an engine of growth and development, the realization of its potential benefits are not automatic.
- The potential for trade to improve productive capacities depend on initial conditions, as well as domestic policies and the macroeconomic environment.
- Building resilience at the individual (micro) and macroeconomic levels: demographic, global changes and macroeconomic instability.
- Countries facing special needs: LDCs, SIDS, conflict, natural disaster, etc: extend access to all of concessional facilities, zero interest rate for LYC, Scaled-up support for raising domestic revenue potential.

Conclusion and policy recommendations

- Diversification is a necessary but not sufficient condition for employment creation and poverty reduction. This requires, inter alia:
  - Improvement of labour intensive production processes
  - Strengthening linkages between activities and sectors
  - Need to address constraints to employment creation (infrastructure, education and skills, social protection policies)

Thank You

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