

Global trade can help us end the need for aid

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For 30 years CUTS has often been one of the few voices to make the case for free trade and for citizens to be empowered by openness, transparency and accountability. They have argued a trading system combined with consumer rights is essential for growth alongside poverty reduction.

If you ask people in developing countries what they want, they will name important topics like education, water and health. Often these will be different whether it's a woman or man answering the question. But it is interesting that their top priority, no matter the gender, will almost always be a job.

Sustainable, secure jobs give people in the world's poorest countries the chance to work their way out of poverty; the chance to provide for their families and to end a dependency on aid. It gives everybody the chance to be part of the global economy. That is why I and the government have been clear that my department's focus should be on economic development.

Across the world Britain is helping boost investment and improve the business climate. We are improving basic services – health, education, water and sanitation. Many of these are the building blocks of a successful economy.

But among all this work we have not lost sight of one crucial fact. Ultimately trade is the most important driver of growth. Look at China and their recent record on poverty reduction, which has gone hand in hand with a huge increase in trade and economic growth.

Trade between nations creates jobs and prosperity. It drives down prices and increases choice.

It is in all our interests, from the fisherman in Kenya to the financier in Kent, for the world's poorest countries to reap the benefits of free and fair trade.

Many of these emerging countries, which are seeing skyrocketing growth rates, are also countries in which the Department for International Development (DFID) works, such as in sub-Saharan Africa. These are Britain's future trading partners. Building economic growth and creating jobs is not only good for developing countries, it benefits Britain too, by creating new markets for British businesses to invest in.

UK approach to trade and development

This government is absolutely committed to keeping development at the heart of our approach to international trade.

This does not mean protecting poor countries from the world, sheltering them from competition. It's about opening markets to them, building on the obvious desire of developing countries to be part of and to benefit from the global economy.

As the Prime Minister said at last month's G8 Summit, in an integrated world protectionism is not just "beggar my neighbour" but "beggar myself".

I would like to echo what Martin has said about the central importance of the World Trade Organisation (WTO) in maintaining global commitment to an open trading system. At Lough Erne the Prime Minister committed to work to help deliver an agreement on trade facilitation at the WTO Ministerial meeting in December.

A deal, if it comes off, to make it easier to move goods across borders could add US\$70bn annually to global income and provide a much-needed boost to the global economy.

I know that there are different opinions on this, so let me just underline my view. It is perfectly consistent to pursue bilateral trade deals but also to be a firm believer in the multilateral system. In fact, I am convinced that bilateral deals can actually be key building blocks for a stronger multilateral system in time because they accelerate the pace of trade liberalisation and tackle the barriers that exist beyond tariffs.

The negotiations that started last week on an European Union - United States trade deal have a strong focus on these so called "behind the border barriers". Because of this they have the potential to deliver real benefits to the rest of the world on top of those reaped by the EU and US.

Three barriers to trade

But we also know that many poor countries are just not trading enough to generate the growth they need to deliver the jobs and incomes that will reduce poverty.

In my view there are broadly three reasons for this. They are reasons which guide the areas which our department focuses on.

First, the rest of the world often doesn't let them trade freely. The UK will continue to lead the charge in ensuring that EU markets remain open to developing country exports.

We will continue to push for the poorest countries to be allowed to trade freely. This could be at the EU, at the WTO, in the G20. Wherever there is a case to be made for freer, fairer trade, we will aim to make it.

But we also need others, including the rapidly growing emerging economies, to go further in opening their own markets to developing countries. Even with the Doha Round stalled, there is more that can be done to tackle the subsidies and other distortions that so often tilt the playing field against poor producers.

Second, all the market access in the world is no good if there isn't an enabling environment for trade and investment. This is particularly true if you can't physically move what you're selling to where it's needed. Poor infrastructure increases the cost of trading and hits competitiveness hard. Shipping a car 6,000 miles from China to Tanzania costs US\$4,000 (around £2,650). Getting it the 600 miles from there to neighbouring Uganda can cost another US\$5,000 (around £3,315).

This is where donors like the UK can play a hugely important role, in improving this enabling environment. During last month's Group of Eight (G8) meetings, Donald Kaberuka, President of the African Development Bank, told us that the best thing we can do with our aid is to help developing countries to trade.

That is exactly what Britain is doing. Today I can announce £27.8mn for a TradeMark East Africa programme in Kenya. This funding will drastically cut the time taken to move goods between the port of Mombasa and the Ugandan capital of Kampala. British support will go towards modernising the port, which is the entry point for millions of tonnes of cargo bound for Kenya's landlocked neighbours.

In Uganda, I have agreed nearly £30mn for TradeMark East Africa to upgrade a key road linking Uganda and Rwanda. We will also improve the customs facilities at an increasingly busy border crossing with South Sudan. Our investment will reduce delays and help to increase Uganda's exports by more than £300mn by 2017 (around £200mn).

The return on investment of these projects can be huge. We know that improving the Mombasa port, for example, will not only help to increase inward investment but also outward investment, as it improves the container shipping business model in those regions.

We know that infrastructure is only part of the problem. We also need a regulatory structure that can help investment. Last week a DFID-funded study put red tape up there with infrastructure as one of the biggest barriers to investment in Africa. Shoprite, the biggest retailer in Southern Africa, spends US\$20,000 a week (around £13,000) just on import permits to ship goods from South Africa to Zambia, its next door neighbour.

Just as we are taking the scissors to red tape here in the UK, so we are starting to look at how we can reduce unnecessary burdens on business abroad.

Today I can announce that we will provide £7mn to support the work of the International Trade Centre (ITC). This will be used to collect and share data on the impact of permits, regulations and bureaucracy in developing countries. The ITC will then bring businesses and governments together to unpick and, over time, dismantle these unnecessary barriers. We need to set the private sector free to create the jobs and incomes that the world's poor desperately need.

Global value chains

The third reason why many countries may not be reaping the benefits of trade is that they may not be serving the value chains that form such an important part of the modern global economy. One of the most striking features of trade in the twenty-first century is how integrated it is, with global value chains stretching across the world.

Martin Wolf has already pointed out the central role played by multinational enterprises in the current global trading system. Some 60 per cent of trade takes place within supply chains, driven by multinational companies. Around half of that is within these same firms.

Look at Britain. We know from our own experience that you don't need to produce aeroplanes to be an important player in the aerospace sector. We're good at high-tech engines, so we specialise.

We need to make sure we are looking innovatively at how to get developing countries into these supply chains.

Of course, the link that many developing countries have right now to global value chains is through the supply of foodstuffs or other commodities.

Take Kenya. Look at a typical supermarket shelf in Britain and you'll find fresh fruit, flowers and vegetables all stamped with the label 'Made in Kenya'. The horticulture and agri-business sectors have created jobs for four and a half million people in the country – over 10 per cent of the population.

The Government will soon be setting out our agri-tech strategy. International development will play an important role in this strategy.

There is increasing evidence that developing country firms in global value chains employ more workers, pay higher wages, and hire a larger share of female workers than those operating outside of those chains. Producing for multinational firms boosts standards and encourages developing countries to invest in skills and working conditions.

Not only does it create more jobs, it creates better jobs.

Our work in improving access to these value chains needs to sit alongside the other work we are doing to improve the enabling environment in the developing world, such as improving access to liquidity and capital for businesses.

Within value chains British firms are playing a major role. Earlier this month I met some of this country's biggest retailers to discuss how they can improve their supply chains, particularly in the garment sector. Last week I'm sure many of you are aware that they followed this with a historic agreement to inspect the factories they use and to play their role in making sure that value chains are not just good for jobs and prosperity, but that they are responsible.

They are really clear that improving the conditions and skills of their workers is becoming an increasingly vital part of the competitive marketplace they operate in. People often overuse the phrase 'win-win', but this is a win for consumers, a win for business and a win for prosperity and jobs in the developing world.

British businesses are investing in the quality of life of their workers. This is not to improve their image or to claim tax deductions; they are doing this in the interests of long term profitability.

Conclusion

Making sure we are advocates for freer trade, ensuring we are improving the enabling environment for business to invest and trade and helping developing countries to plug into global value chains.

All this would be good for the world's poor and good for Britain.

I think the role of the Consumer Unity & Trust Society over the next 30 years will be invaluable in achieving all this.

Thank you.