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Item 5 of the Provisional Agenda
Implementation of the mandate and programme of work –
Focused thematic discussion and interactive dialogue
Palais des Nations, Room XXI, Geneva

Bilateral, regional and multilateral trade: friends of enemies of RTD
Wednesday 30 October 2024, 10h to 12h

Statement by Mr. Oliver De Schutter,
Special Rapporteur on Extreme Poverty and Human Rights

The Special Rapporteur on extreme poverty and human rights, Mr Olivier De Schutter, noted that trade has been promoted as a way to create growth, and has often been presented as supportive of sustainable development. He questioned the idea, however, that more trade is necessarily better, that the efficiency gains from specialization necessarily outweigh the disadvantages, and that protecting local industry is necessarily bad. In his view, it is not particularly helpful to reiterate the commitment to an "open, rules-based multilateral trading system". In practice, this is a way to acknowledge that trade should be discussed within the World Trade Organization (WTO), when what is needed today is to design trade in ways that are more attentive to so-called "non-trade" issues, including human rights and the triple planetary crisis.

The Special Rapporteur emphasized that nobody favors autarky, which no country has an interest in pursuing and would be both unwise and unrealistic. However, that is not to say that trade liberalization is an unmitigated good. It will favor the most competitive sectors, but not the less competitive sectors that face competition from abroad. It will help large corporations, that are better equipped to achieve economies of scale and to control global supply chains, but not small businesses, including family-owned businesses serving local communities. It will work in favor of highly qualified workers in rich countries, but not the least qualified workers in those countries, among whom globalization has instead caused alarming rates of depression and anxiety, even causing suicide rates to increase and life expectancy to fall (see A/79/162, para. 21). Indeed, even the workers in developing countries who are engaged in the most labor-intensive segments of global supply chains, and who are attractive to global investors because they are paid low wages, only benefit in the short term: in the long-term, there is no future in a country that carves out its comparative advantage by keeping its workers poor.

Mr De Schutter recalled that in 2008, in his capacity as Special Rapporteur on the right to food, he made an official visit to the WTO. When he expressed his concerns that small-scale farmers were losing out as a result of the liberalization of trade in agricultural commodities, encouraged by the WTO's Agreement on Agriculture (see A/HRC/10/5/Add.2), he was told that those gaining from trade should compensate the losers, and that it was the role of the State to ensure such redistribution. The problem however, he noted, is that States often don't, sometimes because of a lack of political will, more frequently because of limited capacity and political economy issues. Small-scale farmers are typically unable to protest, as they are poorly organized and dispersed over large territories; they count neither as a constituency to fear nor as an economic sector that the State must protect since they often don't pay taxes and don't bring in foreign currency allowing governments to pay back their debt.

The Special Rapporteur acknowledged, of course, that some countries have benefited a lot from trade, or that, more precisely, the export sector of some countries benefited a lot, when they specialize in the right lines of production: in technologically advanced products protected behind intellectual property rights, in semi-finished goods, or in electronic appliances. Historically, however, trade has been much less beneficial to countries who specialize in the production of raw commodities, in minerals or in agricultural products, and who only maintain their competitiveness on global markets by repressing wages. These countries lose in a model of development that is extractive and exploitative. And it is deeply unsatisfactory to respond that these countries can be compensated by official development assistance (ODA), by "aid for trade", or by concessional lending. Such post hoc compensation is not a substitute for moving towards a multilateral trading system that is fairer and that does not lock countries into unsustainable forms of development.

In 2011, following his mission to the WTO, Mr De Schutter, then as Special Rapporteur on the right to food, presented a set of Guiding Principles on human rights impact assessments of trade and investment agreements (A/HRC/19/95/Add.5). These guiding principles were relied upon when the draft Agreement on the African Continental Free Trade Area was assessed, in a joint exercise involving the UN Economic Commission for Africa and the Office of the High Commissioner for Human Rights, with the support of the Friedrich-Ebert Stiftung (a follow-up study was presented also after the agreement entered into force in 2021). Human rights impact assessments of trade agreements were found to be useful, and had a true added value in comparison to the usual sustainability impact assessments or impact assessments relying on general equilibrium models, because (i) HRIAs are based on the normative components of human rights and on associated indicators, (ii) they involve participatory methods, and (iii) they lead to improved accountability: whereas negotiators may dismiss studies showing that jobs will be lost in certain less competitive sectors, they cannot ignore a warning that a State may be in violation of its human rights obligations under treaties it has ratified.

The Special Rapporteur emphasized, however, that human rights impact assessments of trade agreements are not a substitute for a more robust discussion of the structural implications of trade relationships. That discussion, he said, was difficult to have as a result of three factors:

First, States differ by the stage of development in which they find themselves, and by their position in the international division of labor. Sometimes, when their economy is poorly diversified, the manufacturing industry insufficiently developed, or the overall level of qualification of workers low, opening to trade means remaining locked into an unpromising niche in international trade, with some immediate benefits but limited future prospects. Diversification should precede trade liberalization; it will not follow liberalization.

Secondly, there is a trade-off between efficiency driven by the search for competitiveness on the one hand, and resilience on the other hand. Efficiency requires economies of scale, specialization and uniformity, whereas resilience requires diversity, producing more of what is consumed locally and consuming more of what is produced locally, and reducing dependency on imports to satisfy local needs. We need to build not only economies that are competitive, but also economies that are resilient to shocks, including climate-related shocks and economic shocks linked, for example, to a sudden fall of the value of exports or a sudden increase in the price of imports, or to the supply chain disruptions as seen during the Covid-19 pandemic or following the invasion of Ukraine by Russia.

Thirdly, many countries face high levels of public debt: 3.3 billion people live in countries that spend more on servicing the debt than they spend on education or healthcare. Such countries are forced to focus their efforts on producing for export, to sell on global markets, and more specifically to sell to the high-value OECD markets. This, indeed, is how they can have access to hard currencies, especially the US dollar, with which they can pay off their debt. Until the question of unsustainable debt is addressed, therefore, countries will be coerced into export-led models of development even when this is not in the immediate interests of their population or in the interest of their long-term prosperity.

In closing, the Special Rapporteur emphasized that it was urgent to move beyond a polarized debate between the blind endorsement of trade liberalization at the expense of other ("non-trade") concerns on the one hand, or a rejection of trade because of fears of its negative impacts on the environment or on workers' rights on the other.

The question is not whether trade is good or bad: it is, rather, how it can be designed to serve the sustainable development objectives of the international community. In the quest for sustainable trade that works for development, he argued that the right to development should serve as a compass.