



THE NEGLECTED IMPERATIVE IN TRADE AND DEVELOPMENT

INNOVATION AS A GROWTH STRATEGY FOR THE GLOBAL SOUTH

REPORT

Geneva, October 01, 2013 – 1.00 pm to 3.00 pm

INTRODUCTION: SMALL BUT SIGNIFICANT

In his opening statement, Pradeep S Mehta Secretary-General of CUTS International in Geneva underlined the crucial importance of the relationship between innovation and trade. Thereby, he noted that it is important to bear in mind the larger dimension of innovation than what one can expect. In that matter, small and apparently insignificant innovations can play a significant role in trade and development. The definition of innovation used in this meeting is large and not restricted to the ITC sector. Innovation can help the poorest; improve their life through small implementations, and allow them to be more important actors of their economic system.

To illustrate his point, Mr Mehta made reference to rural internet kiosks, helping farmers to get better information and plan their production better; to help fishermen to get price information thanks to their cell phones; to help women in rural areas to obtain health and sanitary information, educational material etc. via an internet portal; and so on. This is in this extend that trade liberalisation and relevant regulations could allow those small but significant innovations to take place, to circulate, be marketed, and to get large economic impact. Thus the "the real problem is not the lack of innovation but the lack of commercialisation and dissemination", what a wise trade liberalisation, with safety nets, can foster.

LINKAGES BETWEEN TRADE, INNOVATION AND DEVELOPMENT

Dominique Forey, professor at Ecole Polytechnique Fédérale de Lausanne remarked that we know the positive effects of trade liberalisation and openness but we are not able to reap them. What is fundamental, in his opinion, is harmonisation of trade policies with other national policies, enabling innovation capacities to appear. Innovation is a part of a structural change that national policies need to accompany. More precisely, national policies have to accompany the "self-discovering" capacity of entrepreneurs (as described by Dani Rodrik), enabling innovation, diversification, and spillover effects, while encouraging what he calls "smart specialisation". This smart specialisation is the result of both relevant industrial policy and entrepreneurs' "discoveries".

The success story of Mauritius sugar industry described shortly after by Ambassador Baboo Shree Servansing is actually a case in point of Domonique Forey thesis. As sugar industry seemed to be in a dead-end in Mauritius, the combination of industrial policies and “self-discovery innovations” allowed what was a traditional sector to become a growth and innovation sector. It has been reinvented, allowing trade diversification and to climb up the ladder of global value chain. Rather than engineers in a laboratory, “innovation is much more a state of mind - a horizontal concept that cuts through everything that you do; a concept that changes the way you do things”, said the ambassador.

According to Professeur Desiré Avom and Pierre Claver Ndayiragije, ambassador of Burundi, there is too little innovation in Africa, explaining its disappointing level of growth, partly due to the inflation of raw material prices. LDCs remain marginalised in world trade because they have a limited exposure to traditional channels of innovations (i.e. FDI) and a weak ability to absorb, take advantage of those foreign innovations. On a political level, technological policies and action plans are too frequently missing, as well as resources. Brain drain, lack of infrastructures and public goods are also impeding innovation.

Asad Naqvi of UNEP emphasised the relationship between innovation and green growth, noting that the poorer people are, the more they extract (rather than create) value from nature to fill the most basic needs. Thus he recommends ensuring innovation of LDCs and emerging countries, and more specifically for people that are on the bottom of the ladder, for whom innovations would lead to greater economic and environmental positive effects. His key message is that there is no chance of innovation to happen if there is no relevant policy choice upstream.