More Than Aid: Partnership for Development

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Commitment to Development Index 2007

Key Points

• Reducing global poverty requires resources and a supportive, enabling environment, including opportunities to improve livelihoods through access to markets, technology and jobs.
• The Doha round of trade negotiations should include provisions to help developing countries build trade opportunities with developed countries, specifically duty-free, quota-free access, special and differential treatment, and technical assistance and aid for trade.
• Current U.S. immigration policies fail to recognize the important role migration and remittances can play both for the United States and developing countries.
• The transfer of technologies across international borders can provide important benefits to people in the developing world. But current trade policies, specifically the Trade-Related Aspects of Intellectual Property Rights (TRIPS), create unnecessary barriers to much-needed technologies.

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Abstract

Providing aid is just one way that developed countries can support developing countries in their efforts to reduce poverty and improve human development. Policies on trade, immigration, and transferring technologies, especially essential medicines, also reflect their commitment to development.

Developed countries have agreed to establish a policy environment that does not undermine efforts for developing countries to achieve the Millennium Development Goals (MDGs). Goal Eight calls for developed countries to ensure greater coherence among an array of policies critical to achieving the MDGs. On policies related to trade, migration, and intellectual property rights, the United States and other rich countries are not living up to this agreement.

Improving its policies in trade, migration, and intellectual property rights would not only prove that the United States is fully committed to global development, but also would increase the effectiveness of U.S. foreign assistance.
The United States spends more than any other country on international development. In 2007, the U.S. foreign aid budget exceeded $20 billion. But foreign aid is not the only indicator of a nation’s commitment to development.

The Center for Global Development’s Commitment to Development Index (CDI) looks at a range of policies on trade, foreign investment, migration, the environment, security, and technology transfer. The CDI ranks developed countries according to how much they “help poor countries to build prosperity.” On a list of the 21 richest donor nations, the United States’ rank was 14.

Achieving the Millennium Development Goals (MDGs), which were adopted by virtually every country in the world in 2000, requires commitment to a broad set of issues and policies. The MDGs set specific targets for reducing poverty and hunger, increasing school enrollment, empowering women and girls, reducing child mortality, improving maternal health, halting and then reversing the spread of deadly diseases, and ensuring environmental sustainability. To help meet these targets, the MDGs call for countries to create a “global partnership for development” that includes commitments to improve trade rules, fairly address the unsustainable foreign debt owed by developing countries, and provide better access to key technologies, especially in the areas of essential medicines and communications.

But thus far many developed countries, the United States included, have been less than steadfast in their commitment to meeting the MDGs. In three areas in particular—trade, migration, and intellectual property rights—the United States could do a better job of aligning its policies and programs with the MDGs. This would not only be consistent with the objectives of U.S. aid, but also would improve the aid’s effectiveness.

Trade

U.S. agricultural policies are sorely in need of reform. Between 1986 and 2006, the government spent nearly half a trillion dollars on U.S. farm programs. (Over the same period, the 15 countries of the European Union spent well over a trillion dollars in support of their farmers.) Farm payments shield U.S. farmers from loss during periods when prices for basic commodities such as rice, corn, wheat, and soybeans are low. This protection allows farmers to continue planting even when it would otherwise be unprofitable, leading to large surpluses and an increase in U.S. exports. Both of these reduce prices in world markets. Farmers in the developing world simply cannot compete against these heavily subsidized farmers.

Cotton is a good example of a crop where smallholder farmers in developing countries have been harmed by policies in developed countries. In West Africa, smallholder farmers grow cotton for local, regional and even global markets. These countries, and the region as a whole, would benefit from higher, more stable prices. But cotton prices remain low compared to the early and mid 1990s, partly because heavily subsidized U.S. cotton farmers are able to sell their product at an artificially low price. Between 2001 and 2003, the U.S. government spent some $7.2 billion supporting U.S. cotton farmers. These trade-distorting payments cost farmers in Mali, Burkina Faso, Benin, and Chad $400 million in lost revenues over the same period.

In addition to subsidies, barriers to market access—such as tariffs—also conflict with development goals. Tariffs in the United States and other high-income countries have been lowered for manufactured goods, a move that has helped to fuel the growth of the manufacturing sectors in countries such as China, Vietnam, and Bangladesh. But tariffs on agricultural products remain four to seven times higher than those on manufactured goods. Tariffs hit developing countries particularly hard. A study that examined the average tariff applied to U.S. imports from Ethiopia, Tanzania, Guatemala, Namibia, and Thailand found that all of these countries faced higher average tariffs than France, Germany, and the United Kingdom. Yet it is developing countries rather than industrialized countries that could benefit most from greater access to U.S. markets.

High tariffs on agricultural products are one problem. Tariff escalation—increasing tariff rates as products become more highly processed—is another that affects developing countries seeking to export value-added products. An example is soybeans. Unprocessed soybeans can enter the United States duty free, but there is a 20 percent tariff on soybean oil. Many other crops grown in developing countries—cocoa and sugar among them—face higher tariffs in their processed forms. Tariff escalation discourages entrepreneurs in developing countries from producing and exporting more lucrative value-added products.

In 2001, the World Trade Organization (WTO) launched a new round of trade negotiations, often referred to as the Doha Round. Recognizing that “international trade can play a major role in the promotion of economic development and the alleviation of poverty,” WTO members, the United States among them, agreed to place trade and development “at the heart of the work program.” A successful conclusion to the Doha Round could significantly benefit developing countries, with one study suggesting up to $30 billion in gains. Most would be captured by a small number of countries, notably India and China. But the gains to other countries, in particular the world’s least developed countries (LDCs), would increase if they had unlimited market access to developed country markets. The International Food Policy Research Institute estimates that an ambitious trade deal that
includes broad market access could generate $7 billion in real income gains for the 32 LDCs. Much of the gain would come from increased exports of agricultural products.

But seven years into the Doha Round, WTO-member countries have been unable to agree on a deal that would better align trade and development strategies. A satisfactory agreement requires, in the words of one WTO ambassador from a developing country, a “hard-headed fairness” that balances the interests of developed countries with the needs of developing ones. Completing a trade deal would demonstrate that developed countries are committed to the overall development of poor countries—beyond just providing aid. It would also prevent developed countries from moving toward greater protectionism.

Below are some negotiating principles that will help assure that the trade agreements reached truly make progress toward development.

- **Duty-free, Quota-free Market Access:** LDCs should be given 100-percent duty-free, quota-free access to developed country markets. Opening developed country markets can provide substantial new opportunities to entrepreneurs in the poorest countries.

- **Special and Differential Treatment for developing countries:** So far, developed countries have insisted that if they are required to reduce their domestic agricultural subsidies and lower tariff barriers, developing countries must also take steps to open their markets and reduce domestic subsidies. But the poorest countries, in particular LDCs, should be allowed flexibility in how widely and quickly they open their markets.

- **Technical assistance and trade capacity building:** Developed countries have the resources and knowledge to help developing countries bolster nascent trade opportunities. This support includes “aid for trade” and technical capacity building.

### Rising Food Prices: The Role of Bad Policy Choices

The price of basic food grains has more than doubled since 2006. It has been more than a decade since prices last rose this quickly. Unlike the shorter spike in global food prices that occurred in 1996, today’s higher prices are expected to remain for up to a decade, perhaps longer.

Faced with much higher prices, poor people have to make difficult choices. They reduce the amount of food they consume; choose less expensive, less nutritious foods; forego meals; and reduce other expenditures such as health care or sending their children to school. The poorest people are coping by shifting to one meal a day and by eating famine foods: roots, grass, mud cakes. The World Bank estimates that 100 million more people may be hungry as a result of the price hikes.

Years of bad policy choices are at least partly to blame for the sudden spike in prices. While developed countries were protecting their farmers—paying subsidies that encouraged them to overproduce—the agricultural sector in many developing countries was devastated. Meanwhile, donors discouraged developing countries from investing in agriculture. Many developing countries that were once self-sufficient producers of their own food became net food importers. Most recently, developed countries rapidly increased production of biofuels and thus dramatically reduced the supply of staple grains available for food.

Increasing production now would improve food security in developing countries and lead to higher profits for farmers. Unfortunately, most farmers in developing countries do not have the capacity to respond by planting more. For decades, too little was invested to improve the necessary physical and technical infrastructure—rural transportation networks, storage facilities, irrigation systems, appropriate farming tools, agricultural extension services, and improved seed varieties—as bilateral and multilateral donors underemphasized and underinvested in agriculture. For example, the World Bank agriculture portfolio declined from $1.9 billion in 1981 to just $997 million in 2001. And in the United States, investments in international agriculture dropped dramatically starting in the 1980s and have remained stagnant since 2000.

### Migration and Remittances

Migration can aid development in many ways. When large numbers of people migrate, they shrink the labor pool in the country they leave and this can lead to increases in wages there. By creating social networks that span the globe, migration also opens new possibilities for trade and commerce. If immigrants return to their own country, they take with them the knowledge and connections they have made while abroad. For example, Indian and Taiwanese immigrants have contributed to the burgeoning technology industries in their home countries by acting as experts and ambassadors, linking U.S. businesses with markets in their home countries.
Developing countries have long realized the value of migration. The government of the Philippines, for example, actively seeks opportunities for its nationals to live and work abroad. An Office of Foreign Workers provides a range of different services to facilitate migration, including education and training, job placement, overseas housing assistance, legal services, and even medical insurance. The government has also designed savings and loan products specifically for overseas workers and has streamlined processes to make it easier for people working abroad to send money home. These remittances—money sent by people working in other countries—play a vital role in helping families cope with poverty and build social and economic opportunities. In 2007, migrant workers sent approximately $17 billion in remittances home to the Philippines, equal to about 17 percent of the country’s GDP. 17

For the United States, migration presents both a challenge and an opportunity. Famously described as a “nation of immigrants,” the United States has benefited tremendously from the hard work, creativity, and entrepreneurship that immigrants bring. The challenge is to find a balance in our immigration policies that accommodates those who wish to come to the United States in a way that does not compromise national security and protects the rights of current U.S. residents.

Restrictive yearly quotas on the number of skilled and unskilled workers who can enter the United States leave too few opportunities for people to enter the country legally. Without a formal path to enter the United States, each year tens of thousands of people undertake difficult, even deadly journeys to enter illegally. In 2005, there were 1.3 million apprehensions of individuals trying to cross into the United States. 18 That same year, some 470 people died crossing the U.S.-Mexico border. 19

Striking a better balance that promotes legal migration can yield tremendous returns, experts suggest. A recent model looked at the impact of increasing migration flows by 14 million people over 25 years. Using 2001 as a baseline for their study, the researchers found that by 2025, individuals who had the opportunity to migrate from developing countries would generate $624 billion in annual income. 20 While much of this money would be spent in the developed country where the immigrant resides, some would undoubtedly be sent home to support family and friends through remittances.

The World Bank estimates that remittances topped $240 billion in 2007, twice the amount of official development assistance provided by the 30 member countries of the Organization for Economic Cooperation and Development (OECD). 21 In the home country, remittances help pay for a wide array of goods and services, including food and clothing, home improvement, education expenses, and business development. In the current environment of high food prices, remittances are a lifeline that helps families maintain access to food and avoid malnutrition.

The U.S. Agency for International Development (USAID) is working to encourage the use of remittances for development. In Jamaica, this approach has led to a partnership between USAID and the Jamaica National Bank (JNB) to develop the Jamaica National Remittance Program. The initiative encourages Jamaicans living in the United States to open bank accounts with JNB. As an alternative to costly third-party wire transfer services, these accounts facilitate the efficient transfer of remittance dollars.

### Migration at the U.S. Southern Border: Development, Desperation or Both?

The United States is home to more than 35 million documented immigrants, nearly 11 million of them from Mexico, 22 but the official Census estimates miss immigrants who came to the United States without proper authorization or whose documentation has expired. There are at least 12 million undocumented immigrants living in the United States, approximately half of them from Mexico and another quarter from other countries in Central and South America. 23

In no other region of the world do living conditions and economic and social opportunities differ as markedly as they do between the United States and its southern neighbors, so it is little wonder that so many people from these countries seek to better their economic fortunes through migration. In Mexico, 17.6 percent of the population lives on less than $2 a day and cannot afford to purchase a minimally nutritious diet. 24 Conditions are even worse in Central America. More than 80 percent of the population in Nicaragua and a third of the population in El Salvador, Guatemala, and Honduras live on less than $2 per day. 25

For most immigrant workers, migration is not their first choice or even their best option—but it is used when other opportunities to earn a living are exhausted. In 2007, immigrants living in the United States sent $47 billion back to friends and family in their home countries. 26 More than half of these remittances, $25 billion, went to Mexico. The flow of large amounts of remittance dollars can be used for wider community development purposes. Through Home Town Associations, for example, remittance dollars to Mexico are matched 3 to 1 by the Mexican government. A recent study of Hometown Associations found that its funds helped pay for improvements to public spaces and supported business development for local entrepreneurs. 27
The U.S. commitment to development as it relates to migration depends on the work of more than one government agency, since USAID does not have the capacity or jurisdiction to address all migration topics. The United States needs cooperation among the Departments of Treasury, Commerce, Homeland Security, and other agencies. Coordinating these bureaucracies is a real test of the U.S. commitment to development.

- **Strengthening temporary worker programs:** Temporary “guest” workers are a flexible source of labor, helping to fill jobs when there is a shortage of U.S.-born workers willing to do the work. This arrangement could benefit both the United States and the workers’ countries of origin. Currently, however, there are too few “guest workers” slots available to the many low-skilled migrants seeking to work in the United States.

- **Improving the efficiency and lowering the cost of remittances:** Families in other countries could receive larger remittance flows if the cost of remittances was lowered. Transaction fees reduced the value of remittances to Latin American countries by an estimated $4 billion in 2004. These transaction costs represent lost opportunities for development.

- **Creating incentives for return migration:** The United States can support return migration of temporary workers by negotiating incentive packages with developing countries. Such packages might include portable retirement accounts available to workers after they return home.

### Intellectual Property Rights

In 2003, President Bush announced a new plan to fight HIV/AIDS. The President’s Emergency Plan for AIDS Relief (PEPFAR) currently provides life-saving treatment to some 1.73 million people. The success of PEPFAR and the strong bipartisan support for the program are signs of a strong U.S. commitment to providing developing countries with access to essential medicines. But the United States’ strict rules about intellectual property rights counteract these efforts to make life-saving drugs more accessible to low-income people.

With strong U.S. support, the WTO’s Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement put in place intellectual property rights on patents for medicines. Unfortunately, the patent protection mechanism that is part of TRIPS can increase drug prices. The cost of essential medicines often puts them out of reach for people who live on less than $1 a day. The vast majority of HIV-positive people in the developing world do not receive antiretroviral (ARV) drugs through PEPFAR or any other program.

TRIPS is too restrictive because it extends patents on medicines for 20 years; makes it difficult for developing countries to copy drug formulations for generic production; and limits countries’ ability to cheaply import essential medicines. For countries such as Brazil, which as part of its national public health strategy provides citizens with free medicines, including ARV therapy for HIV/AIDS, TRIPS regulations can compromise national healthcare programming.

On the other hand, developed countries and the businesses they represent in trade negotiations argue that strong intellectual property rights rules are necessary to promote the research and development of new medications. Without TRIPS, drug companies might not be sufficiently rewarded for their investment in the research needed to create new medicines. TRIPS is thus essential to ensuring that businesses continue to invest in research. In addition, concerns have been raised over the safety and quality of generic versions of patented medicines. Without adequate safeguards such as those provided by the Food and Drug Administration, generically produced medicines may be ineffective and even dangerous.

Over the past decade, WTO member countries have worked
to make TRIPS more development-friendly. The Doha Declaration on the TRIPS Agreement and Public Health, signed at the outset of the Doha Round, recognized that TRIPS “should be interpreted and implemented in a manner supportive of WTO members’ rights to protect public health and, in particular, to promote access to medicines for all.” In 2005, WTO members reached a final agreement on a modified version of TRIPS that would make it easier for developing countries to import cheaper generic equivalents of lifesaving medicines.

Canada, Norway, and the member nations of the European Union are using TRIPS as the framework for their own domestic intellectual property laws. In sharp contrast, the United States has enacted more restrictive intellectual property rights laws through bilateral trade agreements that contain “TRIPS-plus” provisions. The North American Free Trade Agreement, for example, does not offer flexibility to modify or suspend patents or patent rules in cases of public health emergencies. Under the free trade agreement (FTA) between the United States and Jordan, obtaining a license for domestic manufacture of generic drugs is more difficult than it is under TRIPS. Similar provisions have been included in bilateral FTAs between the United States and Singapore, Morocco, Vietnam, and a host of other developing countries. Such policies make it more difficult for poor people to obtain essential medicines.

It is important for the United States to provide developing countries with the flexibility they need to ensure that people get affordable access to essential medicines. Achieving a balance between efforts to protect intellectual property and efforts to fight deadly infectious diseases will require that the United States:

- **Coordinate trade and development policies to ensure access to medicines.** All trade agreements signed by the United States should provide the flexibility needed to ensure access to essential medicines.

- **Promote TRIPS, not TRIPS plus.** The United States should follow the lead of other countries and make TRIPS the standard for intellectual property rights rather than a platform to add additional requirements.

### Conclusion

The United States provides strong leadership on development assistance, but there is room to do more. Commitment to development should extend to trade, migration, intellectual property rights, and other areas.

Reforming U.S. foreign assistance can help achieve the goal of aligning development with other policies that matter to development. Currently, the highest levels of the U.S. government do not have a clear way to see or focus on the impact of our combined policies on the world’s poorest people. The U.S. Agency for International Development is not empowered to call for the changes needed in areas such as trade or migration. Creating more coherent policies for development requires strong leadership from an individual or agency empowered to work across agencies and departments.

The United States needs to refocus foreign assistance on poverty reduction and allot resources equal to the task. It needs to consolidate development programs in one place with a clear mandate. And it needs to ensure that all policies that impact developing countries help rather than harm them. These actions will contribute to global development by investing U.S. tax dollars effectively in reaching the people who need it most.

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### The Transfer of Technology

Millennium Development Goal Eight (Develop a Global Partnership for Development) calls for developed countries to share important technologies with developing countries, another example of a partnership that could dramatically improve development prospects for poor people.

One area where technology transfer will play an increasingly important role is climate change. A recent report from the Intergovernmental Panel on Climate Change (IPCC) notes that developing countries will be disproportionately affected by global warming, particularly countries in sub-Saharan Africa. Helping these countries mitigate the harmful effects of climate change will require significant resources and technologies. The technologies might include improved cropping methods, seeds, fertilizers, irrigation systems, and cultivation techniques. Strategies to improve forest management and management of other sensitive ecosystems are also important.

A model for successful transfer of agricultural technologies already exists: the Consultative Group on International Agricultural Research (CGIAR), a consortium of fifteen international agricultural research centers. Funded mainly by developed countries, CGIAR-affiliated research centers have helped to develop and disseminate key agricultural technologies. These technologies played a central role in Asia’s Green Revolution of the 1960s and 1970s, lifting hundreds of millions of people out of hunger and poverty.

As the IPCC report notes, “No single technology can provide all of the mitigation potential in any sector.” The goal of technology transfer should be to provide developing countries with options to manage climate change and achieve sustainable development.
Tariffs on Agricultural Products Remain High in Spite of Agriculture’s Importance to Development

Average tariff rates