

IGD PRESIDENTIAL PLATFORM FOR A NEW GLOBAL DEVELOPMENT AGENDA

The Initiative for Global Development (IGD) is a national network of business leaders who believe that reducing global poverty should be a top priority of the United States and the international community. Global poverty is at the root of many of the world's greatest challenges – from HIV/AIDS and child mortality to environmental degradation and regional instability – and dramatically reducing it is one of the most effective steps we can take in creating a better future. Providing hope and opportunity for the world's poorest people will help create a more equitable and stable world. While this is clearly the right thing to do, it is also in our own best interest. Addressing the inequities of those living in poverty is a critical factor in ensuring the future health, prosperity and security of us all.

Even with its considerable wealth and power, our government cannot solve this problem alone. The reduction of poverty around the world will require the coordination and cooperation of both developed and developing country governments, multilateral institutions, non-governmental organizations, and the critical participation of the private sector. As business leaders, we know this effort will require significant private investment and private sector initiative to spur economic growth and enable poor countries and poor people to move up the economic ladder. For this to happen, governments must create environments where such investment and initiative can flourish and where the benefits of economic growth are shared equitably throughout society. The private sector has a unique voice when it comes to issues of economic growth, job creation, a strong focus on outcomes and the effective use of resources. That voice needs to be heard in the fight against global poverty. We want to elevate poverty reduction as a national priority and focus our government's resources where they can do the most good. What is urgently needed is visionary leadership and focus. It is our belief that the United States is in a unique position to rally the world around this vital cause.

PRESIDENTIAL LEADERSHIP

IGD believes that U.S. leadership is essential in the fight against global poverty and that presidential commitment and initiative are critical components of that leadership. During the 2008 presidential campaign, IGD seeks to elevate the discussion of poverty and the importance of U.S. leadership so that the next president – regardless of party affiliation – will champion poverty reduction as a top priority in his or her administration.

Global poverty will be reduced only if the United States uses the full complement of its development policies – in such areas as trade, aid, investment and technical assistance – as part of a comprehensive approach that is focused firmly on promoting economic growth and raising productivity.

PROMOTING EQUITABLE GROWTH THROUGH TRADE, AID AND ECONOMIC DEVELOPMENT

In looking at effective solutions to global poverty, IGD has chosen to focus on policies that support long-term economic growth. As business leaders accustomed to taking the long view, we believe the horizon for most public policy decisions related to economic development is far too short. Meeting the myriad challenges of spurring growth, increasing employment and generating income in developing countries is a multi-year if not decades-long process. Effective policies to build capacity, open markets, develop human capital and encourage private investment will require new approaches from government and new partnership models to leverage the strengths of the private sector and civil society.

Moreover, it is critical that all of the policy tools our government has available be knit together in a comprehensive strategy to reduce poverty in developing countries. A coherent strategy that pursues fully the policies outlined in our agenda can make a measurable difference in the fight against global poverty. Trade alone cannot work. Aid alone is not enough. Foreign investment is important but insufficient. The interrelatedness of the policies is crucial to their success.

TRADE: MAKING MARKETS WORK FOR POOR PEOPLE AND POOR COUNTRIES

Expanding world trade has been a key engine of economic growth since the middle of the last century. Successive rounds of trade liberalization, both multilateral and bilateral, and the resulting integration of the global economy have raised living standards around the world, including in many developing countries. While much of the world has enjoyed the benefits of globalization, many of the world's poorest countries have seen their share of world trade stagnate and in some cases decrease over the past 25 years. That is why the Doha Round of multilateral trade negotiations has at its core the interests of developing countries and why its success is critical. One of the most central issues being negotiated is world agricultural trade – where reform is long overdue and is of critical importance to developing countries, many of whom are significant agricultural producers. It is estimated that removing all barriers to agricultural trade could lift some 200 million people out of poverty. In addition, the United States should show leadership by reining in the trade-distorting subsidies we continue to provide our producers and that result in overproduction and disadvantage farmers in poor countries.

The United States has long provided preferential access to its market for specific goods from eligible developing countries through such initiatives as the Generalized System of Preferences, the Caribbean Basin Initiative and the African Growth and Opportunity Act. Regardless of the market opening that may be negotiated during the Doha Round, the United States should consider expanding its preference programs to grant full market access to the poorest countries in order to help boost their export growth. While U.S. tariffs average less than two percent, tariffs on the products that poor countries produce – footwear, peanuts, sugar – range from 40 to 100 percent.

Many developing countries, especially the poorest, are not well positioned to take advantage of trade liberalization secured through multilateral and bilateral agreements. They have enormous infrastructure and training needs that must be met before they can participate effectively in a trade-led strategy for growth. To increase the capacity of developing countries to participate in the global trading system and reap the benefits of liberalization for their citizens, many donor countries have focused their efforts on trade capacity building. The capacity building agenda encompasses a range of programs – from strengthening labor laws and environmental protection to building roads and

other critical infrastructure for the movement of goods, from technical assistance for WTO agreements to harmonization of customs procedures – but the primary focus is to ensure that developing countries incorporate trade expansion into their poverty reduction strategies and benefit from greater access to global markets.

Efforts to further liberalize world trade will fail, however, if they do not take into account the broader economic context, which includes concerns about workers and the environment both here and abroad. Domestic objections to opening markets to poor countries include concerns that free trade means a loss of jobs and that lower labor and environmental standards in poor countries are the primary basis of their competitive edge. These challenges are real and the policy response to date has been inadequate, but erecting barriers or withdrawing from the global market will not help our citizens here at home. Leadership is essential in helping people understand that we must work to overcome the challenges, not simply erect or sustain trade barriers that both deny the benefits of expanded trade and fail to resolve the problems. An important goal of U.S. policy should be to seek real solutions for those challenges so everyone can share in the benefits of open trade and an expanding global economy.

Suggested policy reforms:

- Reduce trade-distorting agricultural subsidies and other barriers to agricultural trade
- Support trade liberalization efforts, such as the Doha Round, that are designed to extend the benefits of globalization to poor countries
- Provide improved access to U.S. markets for goods and services from the poorest countries
- Support investments that help build the capacity of developing countries to participate in the global trading system
- Encourage tariff reduction and greater market access in developing countries to expand regional trade
- Modernize U.S. adjustment programs to provide more effective support to workers in transition

FOREIGN AID: PRIORITIZING DEVELOPMENT, CLARIFYING GOALS AND IMPROVING OUTCOMES

Fostering sustainable growth in developing countries is squarely in the national interest and should be a high priority for U.S. foreign policy. Yet development assistance is at present a small fraction of overall U.S. spending – less than 1 percent of the federal budget. Addressing the basic needs of the world's poor and responding to disasters and other emergency situations is – and should be – a key component of our assistance. Reducing global poverty, however, will require significant investment in the components of long-term sustainable growth so that our assistance programs target the root causes of poverty while also addressing the symptoms.

Decades of experience in promoting development have yielded significant lessons on the characteristics of successful assistance programs. We need to be able to evaluate the impacts of our programs so that we can determine what works and what doesn't and scale up those programs that are the most effective. We need to take the long-term view and not expect results overnight—or at the end of a one-year budget cycle. We should insist on country ownership in both the design and the operation of our development assistance programs and require transparency and accountability throughout the process. Above all, we should align our assistance programs with our strategic

foreign policy goals and insist that the bureaucratic structure support the successful operation of the programs and the attainment of those goals.

The Foreign Assistance Act, which governs U.S. assistance programs, has not been updated since its passage during the Cold War. The underlying assumptions and objectives of our overall aid program need to be reassessed in light of our current needs. Finally, a critical element to attaining our global development priorities is a more effective partnership between Congress and the administration on foreign policy – one that allows for more robust consultation and greater operational flexibility. Both U.S. policymakers and the general public need to take a longer-term perspective in the fight against global poverty. Much progress has been made in improving human well-being in the last four decades but there is still much to be done, and our efforts must be vigorous, appropriate in scale and patient – and transcend partisan politics and election cycles.

Suggested policy reforms:

- Enhance developing country ownership and accountability through support of the Millennium Challenge Corporation and other programs that reward good governance with longer-term development assistance and investments that help build capacity for increased productivity and economic growth
- Make sure that long-term investments in productivity and growth are a top priority of U.S. policy, sharing equal footing with meeting basic human needs and addressing more immediate U.S. political and security interests
- Increase percentage of U.S. budget dedicated to development assistance
- Appoint a cabinet-level official to be responsible for all U.S. development programs and consider the creation of new organizations or structures of government in order to elevate U.S. development policy and facilitate greater coordination of U.S. trade, aid and economic policies toward developing countries
- Update the Foreign Assistance Act to reflect current strategic priorities and delineate clear policy objectives
- Evaluate our assistance programs on their impact rather than how much has been spent and scale up those programs that are effective

ECONOMIC DEVELOPMENT

Beyond aid and trade, there are a number of things that government and the private sector can do to promote economic growth and otherwise elevate development among their priorities. Governments should foster an environment that encourages private sector activity – by ensuring good governance, the primacy of rule of law, and enabling the free flow of capital, technology, people and ideas.

On the private sector side, companies that have a global footprint – in terms of their supply chains, customers or employees – should think more broadly about their longer-term strategic interests in the developing world and begin to incorporate poverty reduction and economic development goals into their core business interests.

As both government and the business community place a greater emphasis on promoting growth and creating jobs in developing countries, there is enormous opportunity to promote new kinds of collaboration that build on the strengths of each partner and magnify the overall development impact. This is a conversation that is beginning to take place but which needs to become deeper and

engage more voices over time. If the next president were to announce his or her global development priorities and challenge the private sector to engage in a strategic discussion with government in how to achieve those objectives, we would see an outpouring of business engagement and innovation in response.

Suggested policy reforms:

- Promote free flow of capital, technology, people and ideas and create incentives to direct productive assets to poor countries
- Promote good governance and the rule of law as the foundation of growth
- Continue effort by global donors and institutions to cancel bilateral and multilateral debts of the poorest countries to free up capital for poverty reduction and capacity building
- Foster robust partnerships between the public and private sectors in order to facilitate increased investment and capacity building, create jobs and increase incomes in developing countries