

Mainstreaming Development in Trade

28-29 September 2006

Meeting Report

Introduction

If a development perspective is to be reflected in trade rules and trade negotiations, it is imperative that low-income countries are able to determine their own offensive and defensive agendas, and forward them at relevant fora. To do this, they must be equipped with sufficient domestic capacity to research, analyze and engage effectively in a wide range of trade-related issues. However, developing countries – particularly in sub-Saharan Africa and the Caribbean – suffer a systemic and acute lack of capacity in the area of trade and development research and policy-making. This capacity deficit is characterized by grossly inadequate staffing of relevant government ministries and institutions, lack of qualified government personnel and scholars, insufficient academic institutions and opportunities, and ineffective coordination mechanisms in capitals as well as between capitals and negotiators in Geneva/Brussels. The problem is not only circumscribed to negotiations, but also affects policy formulation, the role of trade in development, and the training of the next generation of trade policy-makers in these regions.

A broad scope of trade-related technical assistance (TRTA) efforts have previously been undertaken or are underway, while increasing commitments from donors in the area of ‘Aid for Trade’ indicate that more emphasis will be placed on such activities in future. Agreement at the Hong Kong WTO Ministerial to enhance the Integrated Framework and to explore how Aid for Trade can contribute to the development dimension of the Doha round presents opportunities for developing countries to determine the future direction of TRTA.

On 28-29 September 2006, 54 participants met in Arusha, Tanzania to think collectively about the main issues in trade policy capacity building, to exchange information, experiences and curricula, and to discuss key concerns, in order to ensure that training is targeted towards development and poverty alleviation. The conference on Mainstreaming Development in Trade was geared towards addressing how best to meet the need for development-oriented trade policy capacity building. To ensure TRTA activities are targeted towards poverty alleviation rather than just trade liberalization per se, conference participants considered the linkages between trade, growth and development, with attention to low-income countries, particularly those in Africa and the Caribbean.

The conference focused on creating a longer-term strategy for capacity development. This involved looking at establishing linkages between research and training, to enable those with the capacity to continue to develop it to keep up-to-date with ongoing research and negotiations.

The meeting aimed to address a number of longer-term challenges, including weak knowledge bases at governmental and other institutional levels; inadequate curricula and a disconnect between disciplines that prevents fuller consideration of development in trade policy-making; and Weak institutions for using existing knowledge for policymaking (research-policy nexus).

The conference sought to answer some broad yet recurring questions, including:

- How can the development dimension be integrated into trade policy capacity building?
- Is the quantity, content and reach of capacity building activities adequate? If not, what more needs to be done?
- What gaps need to be addressed?
- What main lessons have we learned about the capacity needs of developing countries and about the effectiveness of the current delivery systems?
- How can we best facilitate the training of a new generation of trade experts in the South?
- Where and how is trade policy capacity best delivered (i.e. at the academic, civil society, government, and regional levels)?
- How do we go about building up interdisciplinarity amongst those in the legal and economics professions? And between trade policy-makers and development policy-makers?

Discussions at the conference focused broadly on three themes: (i) Trade-growth-poverty reduction linkage & policy coherence; (ii) Research-policy linkage; and (iii) Design and delivery of trade policy capacity building programmes. The following report looks at key issues in these areas and makes proposals for each that can point the way towards trade policy capacity building that is supportive of development. The fourth section elaborates on comments received around the need for a network to follow up on these issues.

1 Trade-growth-poverty reduction linkage & policy coherence

1.1 Move beyond orthodox views of how growth is generated.

Although there remain wide and policy-relevant divergences in the degree to which growth is found to influence poverty, there is by now general agreement that sustained poverty reduction requires sustained economic growth. Agreement on the relationship between trade policy and growth, however, has been much more difficult to identify, and remains inconclusive. While sustained growth of exports can be one of the elements in sustained overall growth, such export growth may arise from many sources, and it may or may not be associated with conscious trade policy to that end. It may also have little effect on poverty reduction, particularly if it is enclaved, with few links to the informal or small-scale agricultural sectors. There are few, if any, instances of sustained growth that can be associated with import liberalisation alone. Countries such as China have experienced rapid and sustained economic growth and development without following orthodox prescriptions in economic policies. Rather they have successfully made strategic use of trade policy and policy space.

Proposals for way forward

Improving the poverty-sensitivity of trade and trade measures in general could do more for poverty reduction (within individual countries) than preferential aid, trade and other supportive arrangements for countries that are, on average, the poorest.

There is an ongoing academic challenge around levels of analysis: those looking at economics of growth tend to use macroeconomic tools, while those looking at development and poverty focus at the household / microeconomic level. Researchers could be looking into reorienting the curriculum of training institutions to offer a more balanced perspective of the trade-growth-poverty reduction relationship. One example to consider in this area is the recent institution of a research programme looking at micro-level growth at the University of Dar es Salaam.

1.2 Make poverty reduction the primary objective of trade policy.

Poverty reduction programmes tend to take their lead from the President's office, Planning ministry, central bank and/or finance ministers, as well as from IFIs and donors via Poverty Reduction Strategy Papers (PRSPs). The role of trade ministers is often minimal in this process, and trade ministries often lack real coordination. If poverty reduction is the primary objective, then that is the yardstick by which trade policy should be judged.

Proposals for way forward

Moving towards the goal of poverty reduction will likely mean changing how trade ministries' success is traditionally measured – i.e. by growth in volumes of exports – towards new benchmarks based on data such as how trade is generating employment, and the extent to which unskilled labour and the rural poor are being brought in to export-oriented activities. If trade is to influence poverty reduction, special attention needs to be paid to the agriculture sector, which employs most of the poor in low-income countries. However, this should not be done at the expense of promoting non-traditional exports, services and value-added goods, which can also hold out important development prospects.

1.3 Inadequate structures, processes and incentives around trade policy formulation remain a central hurdle to linking trade with development.

In many African and Caribbean countries, the effectiveness of trade ministries is often hampered by insufficient numbers of posts and of skilled professionals. There is often a lack of focus on a strategic approach to trade policy formulation that takes advantage of both expertise in other departments and of existing networks of academics, policymakers, NGOs, IGOs, and SMEs. The link between the national and the regional approach is also often lacking. A fundamental element behind this is political will, without which analytical inputs will make much less of a difference. Factors such as poor pay and lack of freedom of expression in the trade ministries reduce the incentives for strategic and development-oriented trade policy making.

Proposals for way forward

Should reform of the trade policy-making structure be necessary, a bottom-up process, with support from other areas of government, is likely to be more successful than a top-down one. Trade ministries could use home-grown reform programs developed with wide stakeholder consultation, in order to foster national ownership and to develop realistic time frames. To assist this, donors support should be flexible, and donors should agree to support mainstreaming development in trade in projects led by the governments.

As policy is manoeuvred through the national political economy environment, it is important to consult the informal layers of power when designing a coherent trade policy that can support broad-based development and poverty reduction. A wide consultation, using existing consultation mechanisms, e.g. in the PRSP process, could be used. Research institutions can be helpful by pointing out gaps and outlining common ground between different interest groups.

To deal more effectively with their well-staffed counterparts in OECD countries, trade officials could engage experts to assist them during negotiations to provide ‘on-the-spot’ advice. Since there is a serious shortage of good ACP-based trade experts, particularly in specialized areas such as competition policy and intellectual property, more effort needs to be made to train such a cadre in the regions.

1.4 Develop and maintain a solid regulatory framework on trade and investment.

A stable and well-designed regulatory framework – which includes a comprehensive and strategic trade policy – enables governments to preserve their policy space, while at the same time attracting investment. It sets the scene for countries to develop proactive and offensive positions in trade negotiations and to reap the benefits from these. Good regulatory frameworks should allow developing countries to lay down conditions for investors that foster sustainable development.

Proposals for way forward

There is a need for developing countries to formulate and implement frameworks on trade policy and investment that prioritize enhancement of productive capacities and diversify their export base. Policy makers need to be equipped with knowledge and requisite skills and resources to enable them to design, lead and implement policies which mainstream trade in the national development strategy (and vice versa). Where these are lacking, local researchers could help to bolster trade capacities.

2 Research-policy linkage

2.1 Improve communication and interaction between researchers and policy makers.

The challenge for those trade analysts concerned with development and anti-poverty objectives is to insert their analytical perspectives into ongoing trade policy discussions and negotiations so that they are a normal and expected part of the policy discourse.

Due to a lack of interaction and communication between policy makers and national / regional researchers and experts, policy makers often turn instead to international organizations and research institutes or to their own diplomatic missions to obtain information and analysis. Local universities may have the capacity but are often overlooked in the policy making / negotiating process, as they are considered too far removed from the negotiating reality.

Proposals for way forward

Governments tend to require advice and analysis in a short timeframe on trade issues, particularly during negotiations (often within 24-48 hours). Academic researchers, who tend to work on longer timeframes than government officials, will likely have to adapt the way they undertake research if they wish to support this process.

Communication flow can be improved in both directions:

- **Policy makers** could inform researchers of major policy questions, and involve researchers in policy consultations, e.g. by including them in official government delegations and policy reviews. Governments could assist this by providing easy access to data and information by researchers, e.g. by creating a trade data desk within ministries.
- **Researchers** could invite policy makers to assist in designing research and training programmes. This can help align research programmes with national priorities, and help prepare graduates for potentially joining ministries with an appropriate knowledge base for their country / region. To enable absorption of research findings by policy makers, these could be 're-packaged' in simple and precise language, for instance as policy briefs or case studies custom-tailored to policy makers' needs. A suggestion was made to make use of journalists to help communicate issues to policy makers.

Academics can play an important role in (i) conducting specific research and background studies; (ii) providing an open space to foster dialogue, where all ideas are equally subject to testing; and (iii) skill enhancement, including short sabbaticals and visiting scholarships for government officials. A 'revolving door' approach of academia – government – private sector –government could be useful to help bring in different perspectives.

Negotiating positions should ideally be based on significant evidence-based studies, involving local experts with assistance from international researchers.

3 Design and delivery of capacity building programmes

3.1 Long term and short-term training achieve different but complementary objectives.

In the long run, trade-related technical assistance (TRTA) needs to build long-term human technical capacity; build institutional capacity; ensure local ownership; and create a framework

for laws and legal regulations. This must be reinforced by building capacity in the public service such that ministers have competent staff that understand the technical details of trade policy. To build this capacity, long-term training programmes in areas such as economics and law can be complemented with short-term courses, conferences and seminars.

While training in both law and economics remains essential, there is a need to offer lawyers and economists multidisciplinary training, including in policy and negotiation. This can be further developed by acquisition of technical skills such as data analysis provided by institutions such as UNCTAD and the WTO. In addition, a recurring demand of low-income country officials in trade policy capacity building is assistance to travel to negotiations, where their staff can acquire important on-the-job training that can often be more important than training workshops.

Workshops tend to be given on a sporadic basis with little follow-up or consistency on substance. This has led to a field with many generalists and not enough specialists, with the result that generalist negotiators from small countries often find themselves negotiating with teams of highly-trained specialists from developed countries.

Identified constraints in this area include: (i) difficulty of instituting multidisciplinary programs; (ii) infrastructure constraints – e.g. libraries, access to data and data sources, or even teachers; and (iii) quality of trainers- some trainers are not at an adequate level, and end up giving students incorrect information even when the curriculum is good.

Proposals for way forward

A number of solutions to improving the effectiveness of TRTA were raised in the meeting. These included: (i) the use of tests, exams, and evaluation mechanisms to ensure retention of subject matter; (ii) using e-learning exercises before going to a face-to-face to ensure comprehension of background materials; (iii) partnering with international agencies to help with access to data and teachers; (iv) for short to medium-term training, programs should be run in-country; (v) attendance and entry requirements or prerequisites for short-term courses; and (vi) build capacity to enable countries to articulate their TRTA needs such that delivery can be better targeted.

Institutions such as TRALAC are using various techniques to forward a development-oriented perspective. For instance, TRALAC offers a programme combining law, economics and management, which serves to develop inter-disciplinary expertise and allow trainees to use this expertise more effectively in trade policy making. It also offers ‘Mixed Modality Learning’ that includes residential learning programmes, distance/e-learning, and anchoring of programs in institutional settings, which enhances buy-in from ministries/governments, since participants remain in their work environments. In addition, assignments are made consonant with the work responsibility of participants.

3.2 WTO regional training provides example of challenges and areas for improving delivery.

In delivery of regional training programs by the WTO, there is an ongoing challenge of ensuring that the right people are targeted such that the training received can be maximized at the policy making level. Since it remains up to governments to appoint trainees, there is no guarantee that the attendees to these courses are necessarily the right people, or even that their newly-acquired skills will be made use of by their ministries upon completion of the training.

Participants in regional exercises have expressed a need for more specialized training. They acquire a general understanding of trade rules through the courses, but there is a gap between what they get and how they can make it useful and practical at the government level. They have further expressed concerns about what implementation of WTO Agreements would mean for their countries.

Proposals for way forward

While the WTO cannot force governments to send particular individuals to its regional training sessions, it can suggest ideal profiles of trainees (i.e. those working on trade-related issues, graduate if possible, and importantly that the person will continue to work on trade related issues once he/she returns to capital).

Collaboration with regional trainers in short-term courses such as those offered by the WTO is essential in order to make the information more specific to recipients. Often regional trainers can also provide information that might be too politically sensitive for WTO trainers to include.

In future, the aim will be to provide short, modular, more specialized training to former participants of regional trade policy courses on a small number of topics identified via needs analysis. Specialized courses have already been offered in Trade Negotiations Techniques, Dispute Settlement, SPS and Services, with the first three courses simulation-based.

3.3 Need for more training in economic analysis, and more regional data.

A number of participants pointed out that there is a lack of solid economics training in trade policy capacity building courses currently on offer. Many courses focus too heavily on teaching trade rules. However, for development, it's more important to focus on identifying economic conditions in specific countries / regions and exploring how to use WTO rules to support development. This supposes an 'economics-first' focus to understand basic economic principles and what the trade rules mean from an economics perspective.

There continues to be an absence or inadequacy of quantitative data in the regions, and the data that is available is often of poor quality. Such statistics are important to shore up arguments and positions at the negotiating level.

Proposals for way forward

Countries and research institutions could conduct more 'case-study' based research involving economic analyses of sectors, and outlining the costs and challenges of implementing particular agreements for specific countries and regions. Some research institutions, including the Graduate Institute of West Indies, have been using case studies, negotiation simulation, etc. in their curriculum. These allow for a focus on trade issues at the national level, which can help inform and prepare negotiators. In addition, participants to these programmes have come from the private sector, the public sector, and NGOs, which helps to build networks and bring in broader perspectives into the training.

A tranche of aid for trade funding could be allocated to data collection; this might be most useful if conducted on a regional basis, with linkages to research institutes in the regions.

3.4 Involvement of other groups beyond researchers and government key for moving towards a development perspective.

The private sector and farmers are often left out from transmission of key information through training. It is important that every country finds a way of involving all sectors involved in trade, with the government taking a facilitation role.

Proposals for way forward

Journalists could be included in trainings as they have an important role to play in communicating the issues to a wider audience.

Regional training partners can talk to the private sector and educate them on trade negotiations and WTO issues that affect them, e.g. SPS, TBT etc.

NGOs have been very useful in bringing a development dimension to trade policy. They tend to make use of existing research and act as vectors to bring this forward to policy-makers.

3.5 Skewed incentives can disrupt capacity building activities.

There is an ongoing problem with incentives offered to those participating in trade policy capacity building activities. These are caused chiefly by generous per diems or sitting fees from IGOs and donors, which can skew both the ‘market’ of delivery of technical assistance as well as expectations from trainees. Most research institutes, for instance, do not have the funds to offer large per diems or sitting fees to compete with workshops offered by other actors.

Proposals for way forward

Scholarships should cover all direct costs, but people should not be paid to take courses. Capacity building needs to be seen as an investment in people, rather than income support.

Different capacity building delivery institutions should attempt to harmonize the incentives offered to trainees.

Encourage countries to demonstrate interest in sending officials for training by paying for airfares or other fees for their participants. This helps to establish buy-in into the training and increases the chances that trainees’ new skills will be called upon by their ministries.

4 Research Network

A number of participants felt that a network of people involved in multidisciplinary training in trade (i.e. an epistemic community of trade researchers) should be formulated that would include regional hubs. Such a network would consist chiefly of African and Caribbean experts who could fulfill specific trade-related requests from governments. ILEAP could be a catalyst for forming the network, which could be sub-divided into different open-ended groups based on areas of research expertise. It would be useful to assess progress on this once every 2-3 years. To be fully effective, such a network should move beyond discussion of delivery mechanisms for mainstreaming development into trade policy, and maintain a strong focus on policy content and means.

The network could build on the model of the AERC, wherein capacity is improved within participating institutions to address trade and development issues. Universities in the regions could play a key role by gathering data in areas such as trade facilitation, services, standards, etc. and making it available to all who want it.

The network would further help researchers and governments keep updated on what capacity building is being done and by whom.