

## **Linkages between Trade, Development & Poverty Reduction** **- An Interim Stocktaking Report**

### **Background**

CUTS International is implementing a research, advocacy and networking project on issues of linkages between trade, development and poverty reduction over a period of four years (January 2005 to December 2008) in 15 countries of Asia, Africa and Europe<sup>1</sup>. It is being supported by the MINBUZA, The Netherlands and DFID, UK. This is an interim stocktaking report of the activities, outputs and outcomes for the 2-year period: January 2005 to December, 2006.

The project's aim is to address the policy relevance of the role of international trade in development and poverty reduction and help in articulating policy coherence (in particular between the international trading system and national development strategies). It also takes a close look into the aspects of coherence that different stakeholders and departments need to accomplish in order to establish a positive linkage between trade and development, especially from the perspective of poverty reduction. One overarching aim of the project is to bridge the gaps between Southern and Northern civil society and policymakers.

The objectives of the project are to:

- facilitate the cross-fertilisation of experiences and lessons learnt on linkages between trade, development and poverty reduction in the developing world and to assist the development of appropriate policy responses;
- help strengthen the ability of developing countries through the provision of policy support measures and other know-how and do-how on trade and development issues, and to defend their viewpoints and negotiating and advocacy positions on issues of concern, prevailing and emerging in the international trading system, and their relationship with development and poverty reduction;
- generate synergy among governments and civil society organisations (between and among the Northern and Southern stakeholders) to learn from each other and strengthen their collective perspectives and positions in the emerging debate on the linkages between trade, development and poverty reduction; and
- advocate development-oriented trade policies, based on learnings from research and other activities, by taking into account the interests and priorities (needs and aspirations) of the poor and marginalised sections of the society and examine the aspects of policy coherence.

The methodology involved is by partners doing literature survey, churning them into reader-friendly briefings; organising dialogues, garnering views from various sections, synthesising the results and lobbying their governments on the outputs of the whole exercise. All activities have been evaluated with reference to the role that international trade is playing or can play in reducing poverty in poor countries. By being a part of the implementation of this project, many in the Southern and the Northern civil society movement have gained knowledge, as well as cross-fertilisation of ideas and experiences. This has helped their capacity to lobby for development.

The following matrix describes the Outputs and Outcomes vis-à-vis the activities undertaken for the period 2005 and 2006. Caveat: since much of the outcomes are abstract hence have been articulated in the best manner to quantify them.

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<sup>1</sup> Bangladesh, Cambodia, China, India, Kenya, Nepal, The Netherlands, Pakistan, South Africa, Sri Lanka, Tanzania, Uganda, United Kingdom, Vietnam, Zambia

**Country Background Papers** Country background papers were prepared by research partners in the fifteen project countries in 2005-2006 through the literature survey method.

| <b>Outputs</b>   | <b>Outcomes</b>   | <b>Supporting Points</b>  |
|--|---|---|
| <p>Thirteen background papers from developing and least developed countries across South and South East Asia, and Southern and Eastern Africa provide an overview of human development aspects post-trade/economic reforms.</p> <p>Two background papers from UK and The Netherlands provided an insight into the trade policy-making in these countries and how are they helping poor countries in their endeavour for development.</p> | <p><i>Background papers helped the targeted audience to develop a better insight of the overall issues on linkages between trade, development and poverty reduction, including institutional issues and roles of different stakeholders.</i></p> <p><i>Further, they helped the partners in identifying key issues on both the positive and negative impact of trade liberalisation on the poor and thus, through this process specific sectors were identified for case studies.</i></p> | <p>Trade policy is now being regarded as an essential and integral component of the whole set of policies designed to achieve the growth and poverty reduction objectives.</p> <p>Linking trade with poverty reduction strategy is a difficult task, particularly in terms of formulation of policies. Focusing only on trade for poverty alleviation may not be meaningful, rather trade should be considered as a vital component of overall development policy.</p> <p>Experience suggests that mere liberalisation may not stimulate supply (both export and non-export) response and thus there is a need for developing productive capacities and removing other supply-side bottlenecks. When exercising a pro-active trade policy, careful attention is to be given so that sectors that are unlikely to achieve dynamic gains are not chosen for policy support</p> <p>UK's policy of making it easier to import from developing countries (for example by lowering technical barriers to trade) could be taken forward to influence EU's policy in this regard.</p> |

**Synthesis Paper** The synthesis paper gives a comprehensive overview of the background papers and it covers some major issues such as the relationship between an economy's openness and growth, economic openness and poverty reduction.

| <b>Outputs</b>   | <b>Outcomes</b>  | <b>Supporting Points</b>  |
|--|--|---|
| A comparative and comprehensive analysis of issues on linkages between trade and poverty reduction in different regions of the world has been covered in this paper. | <i>As a cross-fertilisation of experiences and lessons learnt on linkages between trade, development and poverty reduction, it provided a base for country partners to identify issues for advocacy through the campaign kits, dialogues, writing in media, etc.</i> | Many countries (especially those in Asia) have benefited significantly from the expansion of exports in sectors such as textiles, clothing, footwear, electronics and agricultural goods. Many of these sectors are labour-intensive and employ a large number of women.<br><br>At the same time, there exists some significant barriers to access the markets of developed countries for many of the products. |

**Discussion Papers** Two discussion papers<sup>2</sup> were written to stimulate debate on poverty-related aspects and impact of specific trade-related development programmes in Africa and Asia.

| <b>Outputs</b>   | <b>Outcomes</b>  | <b>Supporting Points</b>   |
|--|--|--|
| Discussion papers were presented in regional conferences to disseminate their findings and receive further comments from various stakeholders. | <i>Both the discussion papers provided a strong case for involving civil society organisations in the process of conceptualisation and implementation of trade-related development programmes of donors.</i> | Trade policy affects poverty via impact on domestic economic variables such as prices, employment, wages and incomes, and government revenues and expenditure, thus flanking policies are as important as trade policy <i>per se</i> .<br><br>Inclusive and development-oriented trade policy can only be devised if all concerned stakeholders are empowered to take effective part in the policy-making process. |

<sup>2</sup> Stakeholder Perception on Trade, Development and Poverty Reduction: Initiatives in Eastern and Southern Africa; Linkages Between Trade, Development and Poverty Reduction: Stakeholders' View from South and South-East Asia on Pro-Poor Trade Policies

**Case Studies** Based on the country background papers, project partners have identified two sectors (especially labour-intensive sectors) for conducting case studies to better understand the linkages between trade and poverty. These case studies were conducted by taking into consideration stakeholders' perspectives on specific issues of these linkages, particularly the human development aspects of trade liberalisation.

| <b>Outputs</b>   | <b>Outcomes</b>  | <b>Supporting Points</b>   |
|--|--|--|
| Case studies provide an insight about the domestic policies (such as national development policy, national trade policy, poverty reduction strategy papers) and institutions that had facilitated/hindered poverty reduction impact of trade liberalisation. | <p><i>Stakeholder perceptions on human development aspects of international trade have helped to better understand the intersection between trade policy and developmental policies.</i></p> <p><i>Project partners became better equipped to take forward grassroots realities to the policy-making arena.</i></p> <p><i>Perception survey of stakeholders in rich countries have helped to better understand the interaction between trade and aid policy and how are they contributing towards the achievement of MDG 8 (Global Partnership for Development).</i></p> | <p>Given the importance of the fisheries sector in Cambodia, the Cambodian Government has recently enacted the Fisheries Law aimed at improving fisheries conservation in order to stimulate sustainable development of the sector for the benefit of the fishing community.</p> <p>The case study on cotton and textiles sector in Tanzania has found that complimentary policies on infrastructural development, fiscal support, credit markets development, and human capacity building are important for trade to produce better results on poverty reduction.</p> |

**Campaign Kit** Project partners have prepared a campaign kit (in local language where possible) for wider dissemination of the findings of background papers and case studies to policy-makers, media persons and other stakeholders.

| <b>Outputs</b>  | <b>Outcomes</b>   | <b>Supporting Points</b>   |
|---|---|--|
| The campaign kit as an advocacy tool will be a continuously evolving document with new additions on trade-development linkages. This will help in spreading more awareness on current issues to a wider audience. | <i>Campaign kits helped in educating people about trade-development-poverty issues and linkages. It is helping the project partners to liaise with local civil society organisations and with stakeholders at national and international level for highlighting human development aspects of international trade.</i> | <p>Feedback from random samples. Some messages carried in the campaign kits are:</p> <ul style="list-style-type: none"> <li>• Transport and communication infrastructure are like a blood capillary for trade to function, more so for availing the benefits of trade to the rural poor.</li> <li>• Mass awareness on the level of poverty and existing poverty reduction strategies is an essential intervention for securing participation of the poor.</li> </ul> |

**National Dialogues** National dialogues were organised in each project country. They served as a forum to exchange views between different stakeholders, including policy-makers and country-based donors and was thus instrumental in generating more awareness (grassroots realities) on trade-development linkages. National Dialogues in 2006 acted as the platform for launching country-specific campaign kits, which were based on the findings of background papers and case studies.

| <b>Outputs</b>  | <b>Outcomes</b>   | <b>Supporting Points</b>  |
|---|---|---|
| National Dialogues support exchange of views and opinions. Furthermore, exchange of ideas on approaching human development aspects of international trade strengthens the know-how and do-how of mainstreaming international trade. | <p><i>Reports of the national dialogues acted as an advocacy and information dissemination tool for wider understanding on trade and development linkages This has helped in initiating further dialogues between governments and stakeholders in order to develop appropriate policy responses on human development aspects of international trade.</i></p> <p><i>Many governments have started consulting the civil society while formulating their trade policies.</i></p> | <p>In Nepal it was opined that trade could work for poor provided backward linkages in a sector are promoted.</p> <p>In Zambia, some realised that the agro-processing sector can reduce poverty in a sustainable manner, once the problem of market linkages are addressed.</p> <p>In Pakistan, the Ministry of Commerce is conducting dialogues with the civil society organisations before finalising the national trade policy.</p> <p>In Kenya, civil society is increasingly involved with the Kenya Trade and Poverty Programme.</p> |

**E-Newsletter** A one-page tool for disseminating specific news items and articles from different newspapers and other sources to the trade community at large.

| <b>Outputs</b>  | <b>Outcomes</b>  | <b>Supporting Facts</b>  |
|---|--|--|
| Monthly e-newsletters are published and disseminated widely across the world. They are covering various facets and aspects of trade-development linkages. | <i>E-newsletters are helping the trade community to be better empowered with relevant information from across the world.</i> | <p>About 5,000 recipients receive monthly e-newsletter.</p> <p>Subscription requests are being received regularly.</p> |

**Briefing Papers** Briefing papers were written and published on specific aspects of the project and/or on specific issues on trade-development linkages.

| <b>Outputs</b>  | <b>Outcomes</b>   | <b>Supporting Points</b>   |
|---|---|--|
| <p>The following briefing papers were published:</p> <ul style="list-style-type: none"> <li>• Moving from Preferences to Aid for Trade</li> <li>• SPS Standards and Developing Countries</li> <li>• Global Partnership for Development</li> <li>• TrAid: What Future for Developing Countries</li> <li>• Trade Preferences: Furthering Development or Political Interests?</li> <li>• TDP Project and Links with MDGs</li> <li>• Aid for Trade: Where are we &amp; where will we go?</li> </ul> | <p><i>Information dissemination and better awareness on specific issues, particularly to CSOs in the North.</i></p> <p><i>Better realisation that:</i></p> <ul style="list-style-type: none"> <li>• <i>Rules on standards need to be harmonised and simplified and made development-friendly in order for the poor producers to benefit from a rules-based system.</i></li> <li>• <i>Aid management and implementation practices need to shift towards stronger alignment with a country's domestic policies.</i></li> <li>• <i>The recommendations of the WTO Task Force on Aid for Trade included some of the policies which have been advocated through briefing papers such as trilateral mode of operationalisation of Aft initiative.</i></li> <li>• <i>Helped in sensitising developed and larger developing countries' governments in providing duty and quota free market access to LDCs.</i></li> </ul> | <p>Recommendations of the WTO Task Force on Aft include:</p> <ul style="list-style-type: none"> <li>• “The division of responsibility for funding and implementing Aid-for-Trade projects and programmes should be addressed through country-based processes such as PRSPs or Consultative Groups, if necessary complemented with a partner conference focusing specifically on trade-related support, convened once countries have integrated trade into their national strategies.”</li> <li>• “Technical cooperation among developing countries is a valuable tool to deliver effective results because of their common experience and understanding of the challenges they face. The valuable technical expertise of the South could be used to implement projects through triangular schemes of cooperation.”</li> </ul> <p>On DQFMA for LDCs:</p> <ul style="list-style-type: none"> <li>• The Brazilian government plans to start granting duty- and quota-free market access to exports from 32 of the world's poorest countries from early 2007. India too has shown intent to provide duty- and quota-free market access to LDCs.</li> </ul> |

**Regional Conferences** Regional Conferences are organised in different regions where the project is being implemented to disseminate findings for discussions on a wider platform and on how to take them forward.

| <b>Outputs</b>   | <b>Outcomes</b>  | <b>Supporting Points</b>   |
|--|--|--|
| Two regional conferences were organised in 2006. The first one was held in Nairobi and was for Eastern and Southern Africa. The second one was held in Bangkok and was for South and South East Asia. Reports of these meetings have been prepared and disseminated. | <i>Regional conferences provide a platform to cross-fertilise experiences and views on trade-development linkages among different sets of stakeholders. These conferences are aimed to develop the capacity of the civil society to better comprehend trade-development linkages and for taking the advocacy messages forward.</i> | <p>Major issues being faced by developing countries are:</p> <ul style="list-style-type: none"> <li>• Poor human resources</li> <li>• Poor institutional development</li> <li>• Interventions by national and sub-national governments and international economic institutions without making them socially and politically inclusive</li> </ul> <p>National trade policies should be adopted by taking into account the developmental goals and domestic conditions of a country.</p> <p>In both the meetings government officials from the trade ministries of partner countries have also participated.</p> |

**International Conferences** Besides project partners, government officials, representatives of inter-governmental organisations, civil society organisations, business associations, media are invited to this event. These conferences are on specific themes.

| <b>Outputs</b>  | <b>Outcomes</b>   | <b>Supporting Points</b>  |
|---|---|---|
| One international conference was organised in Geneva under TDP in November 2005. The conference focused on TDP and the links with the Millenium Development Goals, and how TDP initiatives can lead to maximising policy coherence. | <i>International conferences provided a platform to discuss the wide-ranging issues that can be covered under international development. It provided the necessary platform to present and share the project findings with international policy makers, media, and other development professionals for further discussions.</i> | Realisation that the project should contribute to a better integration of micro factors into the policy-making process based upon feedback from experts at the event. |