

The World Bank Trade Strategy 2011-2021

What are its implications for CUTS?

1. Context

1.1 The Trade Strategy of the World Bank Group, which was endorsed by its Board of Executive Directors on June 9, 2011, gives an indication of the kind of problems that affect countries engaged in doing international trade.¹ Since the advent of a rules-based international trading system, the dynamics of international trade have changed. In contrast to trade arrangements negotiated in the past, recent agreements seek to integrate markets for services and investment as well as for goods. Today's challenges, therefore, mostly relate to behind-the-border barriers including lack of regulatory integration, poor trade-enabling infrastructures and lack of safeguards as well as traditional trade policies such as import tariffs. In short, they are about trade costs and how to reduce them.

1.2 The main impediments to international trade and investment increasingly lie in those kinds of complementary policies that make trade more competitive. Such policies include trade facilitation (simplification of customs procedures), simplification of trade finance (better access), cooperation between regulators, and strong and competitive services industries. Developing countries require policy and regulatory assistance in dealing with these "new trade issues" including with investment policies.

1.3 There is also often an inverse relationship between the use of FTAs by developing countries and their capacity to negotiate and implement them effectively. Many developing countries suffer an imbalance with their FTA partners in negotiation power and capacity. Three examples are particularly relevant: SPS and TBT harmonisation, regulatory integration, and environmental/social issues. Many developing countries are simply not equipped to deal with these issues. Furthermore, and given the proliferation of FTAs, many developing countries need assistance during their implementation phase, such as simplifying and understanding Rules of Origin and their implications for the costs of doing trade.

1.4 Developing countries also often do not have the technical capacity and instruments to understand the impacts of their trade policies. One example is the use of economic models to assess the impact of trade liberalisation. Using such models requires technical skills and the provision of suitably disaggregated data, which for some sectors (such as services) are nascent. The World Bank and the Organisation for Economic Cooperation and Development are both involved in developing analytical tools and cross-country data sets, such as the Trade Restrictiveness Index, that enable countries to have a clear idea of the impact of their trade policies. Another issue for developing countries is a lack of clear understanding of regulatory best practice and a lack of dialogue with regulators and the private sector from other countries as well with domestic stakeholders. The Bank has recently proposed the development of "knowledge platforms" to enable regulatory cooperation between countries, to enhance the adoption of good practices, and to provide technical assistance for regulatory reform.

¹ www.worldbank.org/TRADE/Resources/WBGTradeStrategyJune1.pdf

1.5 Many developing countries are also susceptible to external shocks due to their dependence on primary commodities and associated price volatility. This, coupled with a lack of inclusion of the poorest segments of the population or sometimes even entire areas within countries in participating in the benefits from international trade, has direct effects on poverty and income distribution.

2. Implications for CUTS

2.1 Most of the priority issues raised by the World Bank Trade Strategy require targeted and on-time technical assistance, strong cooperation between and among a diverse set of stakeholders including governments, the private sector and multilateral/international organisations as well as an enhanced level of Aid for Trade to developing countries.

2.2 Given this, and the context in which the Strategy has been adopted, the following issues are of particular importance to CUTS International, a leading international NGO doing research, advocacy and networking on trade and regulatory issues.

- **Knowledge platforms** will essentially be fora for regulators, negotiators and stakeholders including consumers to discuss sector-specific issues relating to trade and regulatory reform. They will have four objectives: raising awareness on good practices; increase the dialogue between regulators and other stakeholders; understanding the implications of regulatory barriers on partner countries' businesses; and, enhancing regulatory convergence. The use of knowledge platforms has been proposed as one way to foster regulatory integration in trade in services but could also be extended to cover areas such as NTBs as well.

CUTS could be at the fore front of the work on knowledge platforms and will support the creation of regional fora on specific issues. It will do so by facilitating dialogue between civil society/business community and governments on selected topics where CUTS has demonstrated expertise. The work on knowledge platforms should not be limited to issues relating to trade in services but should also be applied to SPS, TBT, and other regulatory barriers. CUTS can develop its own niche in these areas.

- **Trade in services** is little understood by many developing countries and even less its fundamental implications for the functioning and competitiveness of the overall economy. Most research institutions and NGOs in the developing world still focus on agriculture and/or manufacturing as sources of growth despite the share of services in their economies often being more dominant. The 21st century economy is largely services driven and services are at the core of competitiveness (or lack of it) for many countries.

CUTS could create a specialised knowledge bank on this issue by conducting research, advocacy and training on services reforms. CUTS could leverage its natural comparative advantage and promote research and advocacy to the private sector, regulators and government.

- **Free trade agreements** are proliferating. At the same time, there is a significant lack of research in developing countries to better understand specific regulatory barriers to trade between FTA partners; to promote regulatory convergence and advocate for the adoption of good practices; help the private sector in dealing with preferential access and rules of origin; and help in understanding trade implications as well as environmental and social standards which are often included in FTAs.

CUTS could be involved in supporting civil society and governments in understanding the implications of FTA policies and instruments, particular those areas where pre-existing experience is lacking.

- **Government procurement** (transparency as well as market access issues) is increasingly getting more attention from developing countries as well as international donors. From the donor side the issue is not so much about the trade implications of liberalisation of government procurement but to promote transparency and reduce corruption.

CUTS, as a consumer organisation working on trade and regulatory issues, is better placed than most to conduct research and advocacy on transparency and market access issues in government procurement.

- **Inclusive growth** is another priority. A better understanding of the relationship between international trade and inclusive growth requires a high degree of analysis based on new economic geography and spatial dynamics and concomitant advocacy at local level.

CUTS, being a blend of network-based high-end research and grassroots advocacy, is in a position to leverage a first mover advantage on international trade and inclusive growth.