

# **Toward a World Bank Group Trade Strategy**

## **Questions for Discussion**

### **Submitted by Oxfam**

**1. The proposed areas of focus in the World Bank Group trade strategy are: trade competitiveness, trade finance, trade facilitation and logistics, trade cooperation, and the development of data, indicators, and information systems. How well do these address and balance the needs of developing countries in using trade to promote economic growth and poverty reduction?**

If addressed appropriately based on local needs and conditions, assistance in these four areas together could help developing countries to promote economic growth and poverty reduction.

In general, investments made through the Private Sector should privilege SMEs while investments in large businesses and corporations only be undertaken after carrying out an evaluation on the impact on small and vulnerable sectors, especially those in remote areas.

**In the area of trade competitiveness**, some of the poorest countries as well as the more vulnerable sectors within countries are often unable to take advantage of existing export opportunities because of supply-side constraints, lack of capacity, inadequate infrastructure and underdeveloped markets and supply chains. These are areas where the WBG can provide valuable assistance. But efforts are also needed to help countries build their domestic industries to compete with imports. The WBG has generally focused its role more on how to improve the export sector, but should be more explicit in how it will tackle the constraints to competing with imports, particularly where imports are subsidized such as in agriculture. An export oriented model is not the panacea, as indicated in the WBG's own analysis, and adequate policy space is needed to meet development and poverty reduction needs. Yet over the last decade, many trade agreements negotiated between developed and developing countries have included provisions that strip developing countries of the capacity to effectively govern their economies and protect their poorest people. These trade agreements impose far-reaching, hard-to-reverse rules in areas such as intellectual property, investment, and services that systematically dismantle national policies designed to promote development. The WBG should take this problem into account when designing its trade assistance program.

**In the area of trade finance**, more action is needed in the area of financing for SMEs. Trade Finance is intended to promote export-import flows and tends to benefit larger businesses. However, it should also be extended to very small stakeholders who could have the potential to enter the virtuous circle of trade, especially in the agricultural sector.

**In the area of trade facilitation and logistics**, it is very important to remove obstacles to trade so that the poorest, in particular, can benefit. However, any policy reforms promoted should be careful not to undermine policy space needed to address specific development needs.

**In the area of Trade Cooperation**, the WBG can play an important role as long as an explicit development-friendly approach is taken. Trade agreements and regional integration arrangements should clearly promote fairer rules of trade in goods and services, especially in agriculture, as well as in investment and intellectual property. Developing countries have consistently lost policy space in trade agreements negotiated with developed countries. This has undermined poverty reduction and resulted in adjustment costs. The WBG response has approached this problem through the lens of competitiveness, indicating that the

developing country simply needs to undertake efforts to improve its competitiveness. Yet that challenge has existed for many years. It is critical that developing countries first undertake all efforts to build capacity, particularly among the most vulnerable, and improve infrastructure prior to negotiating trade agreements. The WBG should refrain from promoting any trade negotiations between developed and developing countries prior to assisting the developing country to improve its development indicators and its competitiveness. Including trade policy measures to address climate change, food security and ways to reduce barriers to South-South trade and increase regional integration will be very helpful if addressed from a development perspective rather than as a means of facilitating the self interests of developed countries.

It is also important that the WBG assist countries in the consultations process undertaken within developing countries when negotiating trade agreements. The way the consultation process is often designed makes the participation of the most vulnerable groups impossible. These obstacles lead to inefficiency and exclusion, in which only a small number of civil society groups who have the resources and capacity can participate, while excluding the rest of the population, who in the best case will be somewhat informed. The most prominent obstacles relate to geography and technical capacity.

Geographical barriers refer to countries where 'participation' means access to information (before, during and after every negotiation round) held in the country capital city, thus excluding rural and smaller organizations to participate within or outside their borders. Technical barriers originate because of the specificity and high level technical language used by the negotiating teams that are inaccessible to most civil society organizations.

**In the area of trade data, indicators and information systems**, it is important to first clarify what information developing countries need, both domestic as well as global data. In many developing countries we have seen the lack of reliable statistics on small scale agriculture (campesino economy). Its vulnerability puts small farmers at high risk in those negotiations with countries in which agriculture is highly competitive or strongly supported with subsidies. Though it is important to know what the country produces, it is also important to know who the producers are, how vulnerable they are and which are the competitive characteristics in this field. Without this information, negotiations will result in damaging policies that increase poverty and inequality.

The WBG could support developing countries in offering/supporting systems so that information on productive systems and the vulnerable communities behind them is available. Precisely because these sectors and communities which are not highly competitive are not included in the official statistics, they are highly impacted by the negotiations.

It will also important to follow up on the agreements through monitoring systems, which are a fundamental tool for developing countries to have first hand evidence that enables them to react properly to adverse effects on poor and vulnerable people. The WBG could facilitate funding to CSOs, governments and researchers to monitor the results of the agreements which allow the countries to take actions accordingly.

## **2. How should the World Bank Group allocate its activities between work at the global level and work at the country level?**

The WBG should focus at the global level on research and data collection and analysis, and at the country level on providing assistance based on country-determined needs. At the same time, it is important that work at the country level take into account the important role of the state, including through strong industrial policy, in enabling successful trade that contributes to poverty reduction.

**3. At the country level, the World Bank Group supports developing countries through several means: financing; technical assistance and capacity building; and research and policy analysis. Which mix of activities would be most effective in helping countries use trade to promote economic growth and poverty reduction?**

The WBG should focus on the financing, research and policy analysis areas. The WBG is one of the leading institutions capable of conducting global research and analysis. This strength should be used to provide the information developing countries need. To help define these needs the WBG should promote civil society engagement and should consider using more local and regional experts rather than importing them from the WBG. There is a great need to conduct impact studies in key sectors in each individual country according to their needs.

Each of the knowledge-based tools that the WBG has should also provide benefits at the micro level where the development component is clearly linked. As it stands, these tools are more linked to benefit the macro level, which is important but is inadequate to promote poverty reduction. Furthermore, the WBG should base its research and knowledge-based tools more on analysis of specific experiences and contexts in different countries and regions, and less on econometric analysis.

**4. Compared to other provider of Aid for Trade, where does the World Bank Group have the greatest strengths in supporting countries on trade issues?**

Support for infrastructure is where the WBG is strongest. In particular, it should focus support on the most vulnerable and on in the more remote areas where development is most needed and markets are missing or not working effectively. Working with local governments and municipalities, not just with central governments can also be very important.

**5. In which areas of the World Bank Group's current trade program should other partners - such as regional development banks, bilateral donors, and international agencies -take the lead?**

Trade Finance is an important area for WBG assistance, as other donors have less ability to meet this key need of developing countries. In addition, infrastructure is an area of great need where the WBG should focus efforts, but where even more could be done in partnership with other donor agencies. Both the WBG and regional development banks should in particular focus on regional infrastructure, as bilateral donors are often reluctant to fund regional programs.

**6. How can the World Bank Group help address regional integration challenges?**

In many regions, there are regional bodies actively and seriously working to advance the integration process, often with a strong pro-poor and sustainable development approach. The WBG should promote and support these processes under the region's ownership and leadership and should promote serious and active participation of all the involved stakeholders.

**7. What other suggestions or comments do you have?**

Developing countries' land policies (management, access, use or distribution) are strategic issues that will be in the core of developing countries' strategies to face some of their most immediate social, economic and environmental challenges (including poverty, food security and climate change adaptation and mitigation). Foreign investment in land can create new opportunities as a source of new government revenues, an attraction of capital, technology, know-how, and a source of job creation and infrastructure development. But the extent to

which these international land deals seize opportunities and mitigate risks depends on the terms and conditions under which they are done. In other words, it shouldn't be taken as a given that any increase of foreign investment in land will have a positive impact in the host countries' social and economic indicators, especially for their most poor and vulnerable population. The WBG must ensure that its "land investment" related work, especially through the IFC and FIAS "Technical Assistance and Advisory Services", is based on a serious understanding of the extraordinarily sensitive nature of land issues in developing countries. All WBG "land-initiatives" must ensure that sustainable and development-friendly regulatory frameworks are in place in developing countries prior to promoting foreign investment, in which the interests of all relevant stakeholders are properly equilibrated and the establishment of proper checks and balances is given absolute priority.

Through trade agreements as well as other means, developed countries continue to push developing countries to adopt higher levels of intellectual property (IP) protection, beyond what is required under TRIPS. The WBG should not support or further this trend, but rather should ensure that the poor and vulnerable are not adversely affected by IP protections. Strict IP protections can create barriers in access to medicines, access to seeds, and access to technology needed to adapt to climate change. Particularly in its research and technical assistance, the WBG should look at and address the impacts of strict IP protection on the livelihoods of low income groups, including by helping countries to use TRIPS safeguards.

When considering the linkages between the WBG trade work and the global partnerships in which the WBG is participating relating to food security, the WBG should seek to make its trade strategy coherent with the work of these groups: 1) The Committee on World Food Security (CFS) Advisory Group; 2) The UN High Level Task Force on the Global Food Security Crisis, including contributing to, and adhering to, the revised Comprehensive Framework for Action; and 3) The new Global Agriculture and Food Security Programme (GAFSP) Trust Fund which the WBG is hosting.