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Development-centred globalization:

Towards inclusive and sustainable growth and development

UNCTAD XIII pre-Conference Event: Policy Dialogue – Redefining the Role of the Government in Tomorrow’s International Trade

26–27 March 2012, Palais des Nations, Geneva

Chair’s summary

I. The four themes of the discussion

1. The policy dialogue on the theme “Redefining the Role of the Government in Tomorrow’s International Trade” brought together a large and diverse range of experts representing a wide spectrum of stakeholders and opinion leaders (policymakers, businesses, academia and civil society) in order to explore the challenges of a rapidly changing trade landscape. This meeting was open, exploratory and deliberative, and did not aim to produce any agreed conclusions.

2. Despite the great diversity of opinions on the topics at hand and evident disagreements on some points among the panellists and participants, four main themes emerged. UNCTAD XIII will offer further opportunity to explore those themes and their implications.

3. The four themes may be conceived of in a logical sequence, with each successive theme building upon those that come before it. They are as follows: (a) the changing nature of trade, (b) linkages between trade policy and other development objectives, (c) considerations about trade policymaking processes and (d) focus on trade policymaking at the national level.

A. The changing nature of trade

4. The first theme referred to the changing nature of how trade was conducted in actual practice and understood in economic theory. Several participants stressed that conceptions and models of trade that had been valid 10 years ago had already become outdated, due largely to the evolution of global supply chains. Instead of producing and exchanging finished products that were entirely manufactured in one country, today's typical supply chain involved trade not only in goods but in services, and in tasks as well as processes. For example, in manufactures, more than half of world trade was in components and intermediate products. Even seemingly simple consumer goods could be the end product of numerous processes occurring in many different countries. This deepened the economic interdependence of firms and countries, raised both the risks and rewards of globalization, and transformed trade policymaking from the regulations of imports and exports more to the promotion of competitiveness and export diversification in a global economy, although there was still a need to work on "old" trade policy issues such as tariffs.

B. Linkages between trade policy and other development objectives

5. The shifting nature of trade was made more complex by its expanding relationships with other policy objectives. One participant pointed out that trade had always been a means and not an end in itself. The ends of trade had once been conceived almost exclusively in economic terms, especially its role in promoting efficiency, productivity and job creation. Comparative advantage remained a powerful and valid concept, but civil society, government — and even the private sector — increasingly recognized that trade policy should be informed or modified by other goals with respect to development, inclusive growth, poverty reduction, equity, sustainability and human rights. To achieve inclusive growth, for instance, trade policy required coherence between commercial objectives and policies for uplifting those most affected by — and least protected against — global competition (i.e. low-income households in informal or non-trade sectors).

C. Considerations about trade policymaking processes

6. The third theme focused on the procedures by which countries defined their objectives in trade policy and related fields. The foregoing considerations clearly required that balances be struck, and trade-offs made, across a much wider range of issue areas than had once been the case. A trade policy that was defined in almost purely commercial terms, modified somewhat by considerations of fiscal and foreign policy, could be devised by a small number of government agencies that consulted with a limited circle of economic actors.

7. In the process of forming national policies and objectives, all stakeholders should be informed and consulted on the country's trade policy. Many of the participants stressed the importance of casting a wider net as governments sought the views of the private sector and the broader polity. There was agreement that there was no "one-size-fits-all" prescription for multi-stakeholder consultation that applied to all countries, particularly with respect to how the government should weigh inputs from stakeholders appropriately when devising policies and negotiating objectives.

D. Focus on trade policymaking at the national level

8. The fourth theme concerned whether trade policymaking in multiple forums would influence trade policy at the national level. Several participants implied that policymakers often had a narrow conception that trade policy was about the negotiation, implementation and adjudication of agreements adopted at the multilateral level. There were also suggestions that certain issues negotiated at the multilateral level were treated as bargaining chips in the negotiations on other issues, which resulted in making the negotiated agenda in the former being totally separated from the real economic interests at the national level.

9. In addition to the obvious points made that negotiations had stalled within the World Trade Organization (WTO), and that various agreements were being negotiated at bilateral, regional, and plurilateral levels, many participants agreed that trade policymaking was first and foremost a national exercise. Moreover, policymaking was not only about setting laws and regulations. Beyond governmental action, the new trade environment called for firms and other actors to be more active and innovative.

II. The role of the government in tomorrow's international trade

10. Most participants in the discussion agreed that each of the themes discussed above were important, but some had different opinions — very clear-cut at times — over the best set of policies that should be developed.

11. Some expressed open economies and efficiency views. The complex nature of today's global supply chains, it was argued, made it all the more imperative that the government clear the ground for businesses to trade more efficiently. The key for success therefore was not to being isolated from an ever more integrated, global economy. Others believed, reinforced by the issues covered in the second theme, that many developing countries were still not free from dependence on monocultural exports and that low-income countries needed the government to play an active role as a coach, with focused industrial policy to lift up the country's productive capacity. Other participants sought ways for the government to strike balances between the commercial and other objectives associated with trade and globalization, reviewing ways that public policy could be employed to enhance the benefits and mitigate the costs of an open market.

12. These differences of opinion notwithstanding, many participants in the policy forum expressed their appreciation for the open and honest discussion of the issues. Several said that the tenor of the debate, the diversity of views expressed and the freshness of the discussion stood in contrast to past experiences they had had in other meetings on the same subject. Many observed that, while a consensus on these issues would undoubtedly remain elusive, the policymaking processes at the national and international levels would be improved by similarly frank, open and informative debates. UNCTAD had a major role to play in stimulating such debates.
