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TRADE POLICY FRAMEWORKS FOR DEVELOPING COUNTRIES:

A Manual of Best Practices

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The cover design and desktop publishing was done by Laura Moresino-Borini.

NOTE

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For further information on the publication, please contact:

Trade Negotiations and Commercial Diplomacy Branch
Division on International Trade in Goods and Services, and Commodities
Tel: +41 22 917 56 40
Fax: +41 22 917 00 44
www.unctad.org/tradenegotiations
unctad-tncdb@un.org

ABBREVIATIONS AND ACRONYMS

ACWL	Advisory Centre on WTO Law
CVD	countervailing duty
CROSQ	CARICOM Regional Organization for Standards and Quality
DITC	Division on International Trade and Commodities
DTIS	diagnostic trade integration studies
ITA	information technology agreement
LDC	least developed country
MFN	most favoured nation
RTA	regional trade arrangement
GATT	General Agreement on Tariffs and Trade
GATS	General Agreement on Trade in Services
OECD	Organization for Economic Cooperation and Development
PNLog	National Logistics Plan
SADC	Southern African Development Community
SPS	sanitary and phytosanitary
TNCD	Trade Negotiations and Commercial Diplomacy Branch
TPF	trade policy framework
TPR	trade policy review
UNCTAD	United Nations Conference on Trade and Development
UNIDO	United Nations Industrial Development Organization
USTR	United States Trade Representative
WITS	World Integrated Trade Solution
WTO	World Trade Organization

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EXECUTIVE SUMMARY

Trade policymaking is a challenging task in all countries, and presents especially great difficulties for developing countries. What may seem at first to be a purely external exercise is intimately related to development policy as a whole and involves a series of domestic trade-offs.

A trade policy framework (TPF) offers a structure for the many decisions that a country's negotiators, legislators and litigators must make as they devise and implement policy, in close consultations with critical stakeholders in academia and civil society, as well as the private sector. The aims of a TPF are to reveal the principal challenges that a country faces in trade policy, prioritize its objectives and lay out a plan to achieve those goals through an enlightened trade policy. The United Nations Conference on Trade and Development (UNCTAD) provides technical assistance to countries in developing their TPFs.

The purpose of this manual is to provide guidance in the development of a TPF. It is based largely on the lessons learned from the TPFs undertaken, as well as comparative data on the challenges and experiences of developing countries as a group.

INTRODUCTION AND OVERVIEW

Trade policymaking is a challenging task in all countries and presents especially great difficulties for officials in developing countries. What may seem at first to be a purely external exercise is intimately related to development policy as a whole and involves a series of domestic trade-offs. To make policy in this field, the interests of consumers and producers must be balanced while the goals of the most efficient and export-oriented industries must be weighed against those that are still struggling to achieve competitiveness. When deciding what kinds of activities they will tax or incentivize, or what trade agreements they are prepared to negotiate, and what sort of tariff concessions they are willing to make, policymakers have always had to reconcile the fiscal needs of the treasury with the potential for job creation. Matters have become more complicated with the ever-widening range of issues that are brought to the negotiating table and by the proliferation of those tables. The many demands that are made upon trade policymakers in this new environment dwarf the problems that their predecessors once faced, being technically more complex and politically more intractable.

Just as no smart traveller would go on a journey without a road map, policymakers in this field are well advised to have a reasoned plan that guides their actions. A trade policy framework (TPF) offers a structure for the many decisions that a country's negotiators, legislators, and litigators must make as they devise and implement policy. The aims of a TPF are to reveal the principal challenges that a country faces in its trade policy, prioritize its objectives, and lay out a plan to achieve those goals. A country's decision to seek assistance in the development of a TPF is most commonly triggered by the realization that it has been underperforming its expectations in the external sector and that assistance is needed to identify the bottlenecks and propose ways to break through them. The United Nations Conference on Trade and Development (UNCTAD) provides technical assistance to countries in the development of their TPFs.

A dozen such projects have been completed as summarized in box 1, and they are also referenced throughout this manual. In most cases, TPFs were requested upon a Government's recognition that its existing trade and development policy was not producing the intended results. Among the most typical problems that countries encounter is a negative or deteriorating trade balance, a manufacturing sector in which employment or capacity utilization is shrinking, or the maldistribution of wealth. Whatever the underlying cause, countries may hope that a more dynamic trade policy can result in deeper and broader development. TPFs are tailor-made to meet the needs and challenges of the specific countries under examination, with the conclusions and recommendations varying according to the needs and circumstances of the countries in question (see box 2).

Box 1. Inspirations for trade policy frameworks

TPFs produced thus far have each responded to perceptions of shortcomings in the existing trade strategies of the countries under examination. Starting from the recognition that a problem exists, they each turned to a detailed diagnosis and then — as discussed in box 2 — the development of policy prescriptions.

Much of the TPF process grew out of the experience with Papua New Guinea . During the process of accession to WTO, which concluded in 1996, policymakers in that country concluded that they lacked a coherent framework for the conduct of trade policy. The technical cooperation that they received from UNCTAD in the years following that experience evolved into the Papua New Guinea Trade Policy Framework, issued in 2006.

This precedent was built upon with several other developing countries. The Ministry of Trade and Industry of Rwanda requested assistance from UNCTAD in 2008, following its acknowledgment of the country's immense structural weaknesses. The Jamaica Trade Policy Framework (2015) came about after the Government determined that trade had underperformed for 20 years. This poor showing was characterized by limited export growth, increased imports, reduced competitiveness and continued dependence on a few goods.

Several TPFs were largely inspired by concerns over a country's dependence on a single commodity and the need for diversification. The TPF for Algeria points to dependence on hydrocarbons as a root cause for both low growth and the steady decline of manufacturing from 15 per cent of GDP in the mid-1980s to just 5 per cent. The TPF for Zambia began with the recognition that the country is overly dependent on copper exports. The drawbacks of that dependence were less evident when copper prices were high, but even then the windfall was not shared throughout the economy. Similarly, the TPF for Angola was inspired by concerns over dependence on oil and global price volatility, coupled with the special problems of a conflict State.

Box 1. Inspirations for trade policy frameworks (continued)

Botswana is likewise dependent upon one major export — diamonds — and its policymakers also felt the need for better implementation of its national trade policy. The TPF for Namibia began from the premise that while some diversification has taken place in recent years, the country remains reliant on primary exports to developed countries and to South Africa.

In some countries, the concern is not with overall growth but the differing impact for specific sectors or communities. TPFs for both the Dominican Republic and Panama observe that while trade has helped to raise national income, the gains have been uneven. Social indicators in the Dominican Republic have not kept pace with income, while in Panama there are concerns over the concentration of wealth in a limited number of services and other activities.

Two TPFs were more narrowly focused on specific sectors. Mexico's Agricultural Development: Perspectives and Outlook (2014) responded to concerns over continued economic marginalization of small holders, and of agriculture generally. Tunisia's Trade Policy Framework (2015) was focused on ascertaining implications of Participation in the WTO's Information Technology Agreement.

Box 2. Recommendations for trade policy frameworks from Angola to Zambia

Just as there are differences in the inspirations for countries' TPFs, so too do the resulting reports differ in their proposed solutions.

Algeria: The country prioritizes accession to WTO and further dismantling of trade barriers within the framework of the Association Agreement with the European Union.

Angola: The Government should create an enabling environment by ensuring macroeconomic stability, strengthening the institutional and regulatory framework, intensifying human resources development, enhancing technology and investing in infrastructure.

Botswana: A series of changes to the National Trade Policy to provide more specific guidance on the policy stance, as well as a detailed implementation matrix, including to strengthen national regulatory and institutional frameworks and address the private sector's competitive environment.

Dominican Republic: A strategy for trade policy and the creation of a more dynamic export sector based on a competitive insertion in global markets and fuller participation in global and regional value chains through enhanced domestic competitiveness, inward investment promotion and outward-oriented services trade strategies, with a detailed implementation matrix.

Jamaica: A trade policy calling for better leveraging of revealed comparative advantage in the priority export sectors, addressing infrastructure bottlenecks, improved standards compliance, better linkages between goods and services, moving up in the value addition in agriculture and rationalization of trade and investment incentives.

Mexico: A coordinated approach to agricultural policy, both in terms of institutions and direction, and a series of more specific recommendations on specific products and markets to that end; ensuring coherence development and poverty reduction agenda in Mexico with trade negotiations in regional trade negotiations.

Namibia: A facilitative policy mix that encourages investors to include Namibian companies in their value chains.

Panama: A market-driven, development-led, sustainable trade policy that is capable of catalysing economic growth, reducing poverty and improving living standards through diversification and structural transformation leveraging on agroprocessing, fishery and logistics services.

Papua New Guinea: The fuller participation of stakeholders and civil society in policymaking, the upgrading of the Department of Trade and Industry, and other institutional reforms.

Rwanda: Related the country's trade policy to the existing National Development and Poverty Reduction Strategy. It called for "a development-driven trade policy approach, as opposed to an export-led, trade led or demand-led strategy".

Tunisia: Participation in the Information Technology Agreement should be complemented with policies in the macroeconomic, fiscal, trade, and industrial fields, as well as measures aimed at strengthening the country's regulatory and institutional framework.

Zambia: A strategic trade policy to support industrial sectors and recommendation of a stable macroeconomic environment, agreements that support diversification and value addition, reformed services regulations to strengthen national competitiveness, regional integration to leverage more on regional trade and encouragement of foreign investment.

The purpose of this manual is to provide guidance in the development of a TPF. It is based largely on the lessons learned from the TPFs, as well as comparative data on the challenges and experiences of developing countries as a group. The manual seeks to situate trade policy as a branch of development policy, relating this topic to the Sustainable Development Goals. The Goals explicitly and implicitly recognize the contribution of trade in many regards, and Goal 17 on the means of implementation, in particular, makes this recognition explicit (see table 1).

Table 1. Sustainable Development Goals: Selected trade-related goals and targets

Goal 1. End poverty in all its forms everywhere 1.1 By 2030, eradicate extreme poverty for all people everywhere
Goal 2. End hunger, achieve food security 2.b Correct and prevent trade restrictions and distortions in world agricultural markets, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect
Goal 3. Ensure healthy lives 3.b Provide access to affordable essential medicines and vaccines, in accordance with the Doha Declaration on the TRIPS Agreement and Public Health
Goal 7. Ensure access to affordable reliable, sustainable and modern energy for all 7.1 By 2030, ensure universal access to affordable, reliable and modern energy services
Goal 8. Promote sustained, inclusive and sustainable economic growth 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation 8.a Increase Aid for Trade support for developing countries … including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries
Goal 9. Build resilient infrastructure 9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure 9.3 Increase the access of small-scale industrial and other enterprises to financial services
Goal 10. Reduce inequality within and among countries 10.a Implement the principle of special and differential treatment for developing countries 10.c By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances
Goal 14. Conserve and sustainably use the oceans 14.6 By 2020, prohibit certain forms of fisheries subsidies
Goal 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development 17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020 17.12 Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access

Several of the Sustainable Development Goals speak directly to issues raised in this manual and are cited where appropriate. The underlying philosophy of this project is that trade policy does not exist solely to achieve some abstract concept such as a positive trade balance, but should instead be aimed at promoting the development of countries and advancing the wellbeing of their people. A proper TPF will treat trade and development not as competing but as complementary ends. It will identify the hurdles that the country must clear in each area, and offer a vision for the reduction or elimination of these barriers.

This analysis takes as its point of departure the recognition that the economic development of countries, especially as reflected in human welfare, matters more than trade per se. "[T]rade should be the servant of development policy [and] not its master," according to Stewart and Ghani, such that "the general strategy of development should be chosen first — including the desired technology choice, income distribution, mode of production, etc. — and a trading strategy chosen which fits in with this, rather than the trading environment dictating the choice of development strategy."[1] It is in this spirit that the analysis that follows is not solely confined to narrow questions of how a country ought to set its tariff, structure its trade agreements and otherwise manage the minutiae of a trade regime, but also places these questions in a larger developmental context.

A. THE TRADE POLICYMAKING CHALLENGE

There are several respects in which trade policymaking today is a more important and difficult field of public policy than it once had been. First, trade as traditionally defined now comprises a larger part of most countries' economies. The process of globalization has linked rising shares of output, consumption, and employment to imports, exports, and foreign direct investment, a fact that holds true for countries at all levels of income and development. Trade negotiations have grown in number and scope over the past few decades; they now cover a much wider range of issues than before and take place simultaneously at the multilateral and the regional levels.

Matters are made even more complex by the fact that developing countries are now expected to bear a greater share of the burden in the international trading system. Gone are the days when most developing countries were not contracting parties to the General Agreement on Tariffs and Trade (GATT), many of those that were in the Agreement opted not to engage seriously in negotiations or to adopt most GATT agreements, and trade relations with industrialized countries were typically based on one-way preferences granted by developed countries. Developing countries have subsequently become more active and significant players in the multilateral system, with nearly all of them joining the Agreement and then the World Trade Organization (WTO), and most are also engaged in at least one free trade agreement, customs union, or other form of regional trade arrangement (RTA). Some of them still restrict their regional negotiations to pacts with their immediate neighbours, but others opt to negotiate RTAs with one or more of the major industrialized countries. The question most countries face is no longer whether they will open and integrate their economies, but at what pace and in what way. Countries must decide what form of trade agreements they will choose to negotiate, what terms they will seek in these agreements, how far they will go towards the reduction or elimination of tariffs and other restrictions on trade and investment, and what domestic reforms they will adopt — either autonomously or in order to keep the commitments that they make in trade agreements — as complements to their market-opening initiatives.

Perhaps the most significant challenge comes in the very redefinition of what constitutes trade policy, and the consequent expansion in the array of issues and interested parties with which a trade ministry must deal. The borderlines that separate trade from other fields of public policy have always been somewhat blurry, and the distinctions have become even fuzzier over the course of the last generation. What was once a limited area of policy that intersected with aspects of foreign and fiscal policy is now more fully linked to nearly every consequential topic on the national agenda. Among the subjects now handled in most trade negotiations are investment, intellectual property rights and trade in services; some talks go further still, incorporating such matters as competition policy, labour rights, and environmental protection. Each of these issues have profound implications for countries' development strategies. Policymakers in the field of trade policy, whether they are negotiators, legislators, or litigators, are now called upon to deal with a range of issues over which officials in other ministries and agencies have principal jurisdiction. Conversely, officials in those other bodies must live with the consequences of trade negotiations and disputes. It is necessary for policymakers in all fields to understand the ways that trade is related to other areas of public policy, and especially how it needs to be mainstreamed into development policy.

B. VALUE OF TRADE POLICY FRAMEWORKS

A TPF can help countries meet these needs by providing a sense of the big picture in which trade policy forms a part, while also filling in many of the details of that landscape. The document is intended to examine the specific circumstances of a country's trade and development problems, focusing on both its challenges and opportunities, and to prioritize the steps to be taken internationally and domestically in order to remove the impediments to its full participation in the trading system. Those domestic steps will typically be just as important, and often more so, as any deals reached with the country's trading partners. While exporters may still face tariff and non-tariff barriers for some of its exports to important foreign markets, they will often find that local constraints — whether infrastructural, institutional, or societal — can be the most significant obstacles to their competitiveness. A TPF can identify the most important barriers and inefficiencies at home and abroad, and put forward plans to address them.

The primary beneficiary of a TPF is the country under examination, but these reports may also be seen as detailed case studies in the relationship between trade and development. Taken as a whole, the body of TPFs also provide a useful resource for those developing countries that are not themselves subject to this exercise. These analyses present information on how countries in similar circumstances have dealt with their challenges. By examining both what has worked and what has not, TPFs can collectively help to identify best practices for trade and development. This does mean devising some universally valid trade strategy. Each country will have its own special mix of history, factor endowments, geographic position, political culture and so forth, and it would misguided to attempt to devise a catch-all set of policy prescriptions that gloss over those differences. But while all countries may be said to be special, none of them are entirely unique. There are important respects in which any one country will be similar to many others, and the experiences of their peers — both positive and negative — can offer useful guidance.

TPFs often point to success stories in other developing countries, offering models that a country may seek to emulate. The TPF for Jamaica was informed by the lessons learned from the tourism strategy of the Dominican Republic, for example, and the TPF for Rwanda pointed to the success of Kenya in flower exports. Similarly, the TPF for Tunisia drew upon the experience of other countries in advising on the consequences of signing the Information Technology Agreement (ITA); this included some countries that had joined the Agreement (i.e. Costa Rica, India and Thailand), and others that did not (i.e. Bangladesh and Kenya).

Beyond those tactical lessons, TPFs can also address the perennial, strategic issues of trade and development. For over two centuries, the key question in this debate has concerned the proper sequence for countries to follow in the opening of domestic and foreign markets. At what stage in its development should a country move to lower or eliminate its barriers to imports and begin the transition from a State-led to a market-led economy? To simplify, should a country (1) seek to retain a large role for the State for as long as possible, promoting domestic industry while restraining imports through, inter alia, high tariff barriers, or (2) should it open its market and reduce intervention at an early stage of its economic development, or (3) should it calibrate its market-opening steps with the pace of its development, such that it becomes progressively less interventionist as its economy gains in sophistication, prosperity, and diversity? There have been proponents and practitioners of all three positions since the late eighteenth century, and there is no consensus position as to which approach has historically best served the interests of developing countries. The TPFs cannot resolve that debate once and for all, but they can make a valuable contribution to it by providing examples of what has and has not worked in the experiences of specific developing countries.

C. STRUCTURE OF THIS MANUAL

This manual takes a five-step approach to defining the subject matter of a TPF and specifying the process by which it should be prepared.

Part II places the larger issues in context by exploring the evolution of the debate over trade and development, presenting data on the rising level of trade in national economies and the association between exports and success. It reviews the major strategic options of developing countries, including the all-important question of when countries ought to begin opening their markets. The analysis contrasts the experiences of successful economies that committed themselves to liberalization at an early stage of development with those of other economies that instead pursued a two-stage trade strategy. Comparative data generally confirm a close association between income and the extent to which countries leave major decisions to the market rather than the state.

Part III takes up tactical issues, focusing on the instruments of trade policy. A TPF needs to identify not only the tools that are available to the country's policymakers but also those that are employed by its trading partners. The framework should consider the types and levels of tariffs that are imposed by the country and its partners, and how they might be adjusted — whether autonomously or through negotiations — to serve the country's interests in production and exports. The data show that there is generally an inverse relationship between tariffs and income, such that barriers tend to be lower where incomes are higher, but this is not an absolute rule. Beyond tariffs, countries also need to address a wide range of issues that determine the costs of doing business. These include the many procedures and rules that affect the movement of goods, antidumping and other trade-remedy laws, and the whole range of laws and policies governing services, investment and the protection of intellectual property rights.

Part IV takes on trade negotiations and trade promotion. One of the most important decisions that a country faces in its trade strategy is whether it aims to establish trade relations that are preferential or reciprocal. For decades, developing countries typically sought open access to the markets of their developed trading partners while seeking to maintain relatively high tariff and non-tariff barriers to their own markets. Many countries still take this approach, but others — where incomes are typically higher — have been willing to engage in reciprocal negotiations through which they would achieve greater openness in both directions. They often do so by simultaneously engaging in multilateral initiatives and in RTAs. This part reviews the costs and benefits of these different negotiating forums, and also examines the challenges that come in the implementation and enforcement of trade agreements. This includes both the soft forms of enforcement (e.g. transparency, notifications and the like) and the hard option of the WTO's Dispute Settlement Body. The value of trade agreements can also be multiplied through well-designed programmes of trade and investment promotion.

Part V addresses the institutions of trade policymaking. The first decision that any country must face in this field is which ministry or other agency will be given principal responsibility for this subject, a task that might reasonably be assigned to the foreign ministry, the finance ministry, or some other body. The analysis reviews the arguments for each of these divisions of labour. It concludes that there are trade-offs with each of these options and that close coordination is needed between different agencies of Government and between the public and private sectors no matter what institution takes the lead. It is also an area in which officials often need assistance to build their capacity and expertise.

Part VI identifies best practices in the preparation of a TPF. In addition to laying out the principal steps in the process, from the request for assistance through the execution of a plan, this part argues that a TPF should present an overall vision of where trade policy fits in the country's development strategy. A framework needs to be owned by the country itself, and promoted by a champion in the Government. It should clearly identify the main objectives of trade policy, whether they are conceived as inward-oriented, outward-oriented, or market-oriented. Other issues addressed in this concluding part concern the timing of a TPF, the attention devoted to internal and external constraints, and the collection and analysis of data. Appendices elaborate on these points by providing checklists of issues to be addressed with respect to the country's characteristics and its strategy, the capacity of the principal trade agencies, and the institutions in Government and civil society that ought to be consulted when devising, revising, and validating a TPF.

Part VII concludes with some final observations and presents checklists that researchers may employ when conducting a TPF.

D. A FEW CAVEATS

A point of terminology should be clarified from the start. Throughout this manual, the term "trade ministry" is used to mean whatever government agency is given the principal responsibility for the making of trade policy, and especially the conduct of trade negotiations. This does not necessarily mean that the term “trade” appears in the title of that ministry, nor indeed that the agency is deemed to be a ministry; it might alternatively be designated as a department, bureau, or other entity within a larger ministry, or be operated as some other type of independent or interministerial body. The same institution that takes the lead in trade negotiations may also be responsible for other trade-related functions, such as the promotion of exports and investment; alternatively, some or all of these tasks may be assigned to other government bodies, to public–private partnerships, or be outsourced altogether to the private sector. For the sake of simplicity, however, all of these various arrangements are subsumed here under the rubric of “the trade ministry”.

The analysis makes no effort to urge the adoption of any specific philosophy or doctrine regarding trade policy and its place in a country’s development strategy, nor does it identify a single, best approach that countries might take to the ministerial division of labour. The underlying assumption throughout is that no matter what objectives a country may seek in its trade policy, and no matter what organizational arrangements or negotiating tactics it may adopt, its chances of success will be greater if it has in place procedures for systematically monitoring and analysing economic and political data, efficiently managing the flow of internal and external communications, dealing effectively with all partners and stakeholders, and devising policy within a well-reasoned framework. All countries face the questions that are posed here, but each of them are responsible for finding the answers that best suit their own circumstances.

It is also important to stress that this is not a strategy manual, providing countries with guidance on how best to achieve their objectives in a given negotiation. There already exists abundant literature on his subject, filled with the requisite quotations from Sun Tzu and employing the sometimes arcane jargon of aspiration points, zones of possible agreement, and BATNAs (best alternatives to a negotiated agreement). The contributions to that literature instruct readers on how best to create and claim value, how to choose between integrative and distributive strategies, how to play a two-level game, how to know the difference between a true threat and a mere bluff, and how a good negotiator tries not just to persuade one’s counterpart but even to shape his or her perceptions. While recognizing the value of this literature, and urging that readers familiarize themselves with the theory and practice of negotiations, the present manual does not itself constitute such a guide. It instead offers pointers on how countries might go about devising one that is custom built to their own needs.

Readers will note that at many points in this analysis, data are provided on how developing countries compare on certain issues. Those comparisons generally exclude developing or transitional countries in either Europe or the Middle East (except North Africa), and also exclude major oil exporters.[2] Those exclusions are based on the very different circumstances that both sets of countries find themselves in vis à vis developing countries as a whole. Including data on those countries, or on the economies in transition, could severely skew those comparisons that seek to identify the relationship (if any) between a given factor and average income per capita. Note also that World Bank data are used whenever possible, and most often for 2015. If 2015 data are not available for a given country, then the 2014 figures are used; except where otherwise noted, countries for which 2014 data are not available are excluded from any table.

Trade and development

Policymakers in past generations may have thought it was possible to treat trade and development as if these were distinct functions. Trade dealt principally with the external sector, whereas development was seen as a largely domestic phenomenon. Decades of experience have worked from two directions to erase this distinction. On the trade side, the expanding scope in the subject matter of negotiations and disputes has led policymakers to realize just how far this topic overlaps with other fields of public policy. On the development side, countries that have placed great emphasis on promoting exports have generally done much better than those countries whose strategies have entailed the substitution of imports with domestic production. Far from being distinct fields of public policy, it is now widely acknowledged that these two areas are integrally related to one another.

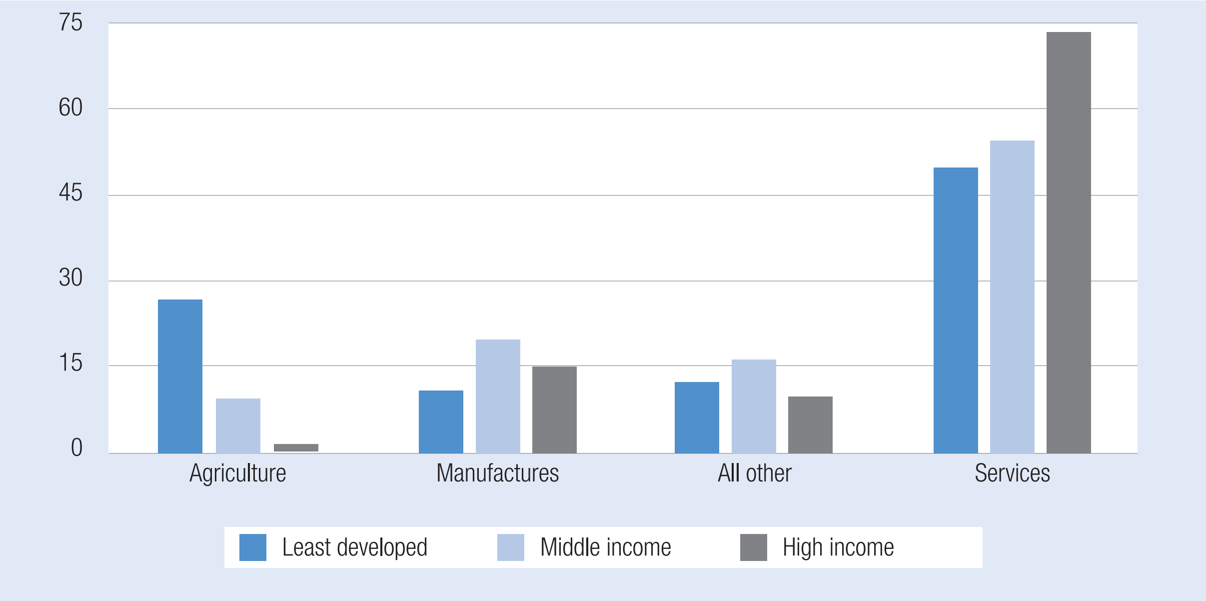
One of the chief tasks of a TPF is to promote the mainstreaming of trade policy into development policy, and to highlight those ways in which the two fields are intimately tied. Much more than an extended mission statement for a trade ministry, a TPF should ideally identify the areas in which the country may expand its capacity for production and trade, as well as the obstacles that it must overcome in order to achieve that end.

A. MAGNITUDE AND SCOPE OF TRADE

Trade policymaking is more complex and important now than it was in past generations because trade itself has changed both quantitatively and qualitatively. The share of trade in national economies has grown, and the scope of issues that fall within trade negotiations has widened considerably.

Even in its most traditional and narrow definition, trade is more important today than it was a generation ago. The globe was becoming steadily more trade intensive during the quarter century that preceded the financial crisis of 2008–2009, as can be seen from the data in figure 1. Whereas in 1985, trade accounted for about 15–20 per cent of typical countries' GDPs, by 2008, it generally exceeded 30 per cent . This point held true for countries at all levels of economic development, even if the shifts from one year to the next were more volatile for the least developed than they were for the higher-income countries. The path since the financial

Figure 1. Shares of GDP in economic sectors, 2013 (Value-added as a percentage of GDP)



Source: Agricultural value-added as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS; services value-added as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NV.SRV.TETC.ZS; services value-added as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NV.IND.MANF.ZS.

"All other" calculated by the author as the residual. Note that data on all countries are included in this figure; developed and oil exporting countries are not excluded.

crisis has been unsteady. The trade intensity of national economies seemed to be recovering immediately after that crisis, but the last few years have witnessed the stagnation of trade in the high-income countries and a decline for the developing countries. It is too soon to know whether this post-crisis downturn represents a temporary setback or the emergence of a new pattern, but either way, it speaks to the need for countries to redouble their efforts to engage in mutually beneficial exchanges of goods and services.

The qualitative changes in the field of trade have been even more consequential. Trade policymaking may be defined as the development and execution of national laws and policies, as well as international agreements and initiatives, that are variously intended to facilitate, promote, prohibit, tax or regulate the cross-border movement of tradeables. That basic definition can be applied to any country and any period of history, but the scope of its meaning has changed over time. The tasks and jurisdiction of a trade ministry in 1980 were little different from what they had been in 1880; in both periods, the chief focus was on tariffs and other border measures affecting the movement of goods. Following a generation of sweeping changes in the shape and scope of the trading system, and also in the larger world to which that system belongs, the responsibilities assigned to trade ministries are radically different today. That can be seen both in the range of issues that are defined to fall within the scope of trade negotiations and in the importance attached to the removal of domestic constraints. Put another way, trade ministries used to spend much of their time trying to identify and overcome the major barriers that other countries deliberately imposed on imports of goods, but today they must devote at least as much attention to addressing the interior barriers that their own country faces or even imposes (however inadvertently) on the production and export of goods and services.

The expanded issue base of trade policy can be traced primarily to a redefinition of what is traded. Until a few decades ago, the only recognized tradeables were goods; trade meant only the movement of goods across borders, and the only available policy instruments were tariffs, quotas, licensing requirements, outright prohibitions and other measures that directly regulated exports and imports of merchandise at the port of entry or exit. As a consequence of technological changes and policy reforms, trade policy now deals with the cross-border movement of services, capital (i.e. investment), ideas (i.e. intellectual property), and even people (i.e. the movement of persons as investors, managers, and service providers). The actions that countries take to promote their industries and the commitments that they make in trade agreements also go beyond and behind the border. Trade policy is now linked to more issues affecting the production, distribution, and use of goods (e.g. labour rights and environmental protection), and to still others in which the relationship is controversial and determined by politics (e.g. foreign policy and human rights). The subject matter of trade is not just arithmetically larger, as the widening scope means that the domestic and international politics of trade have grown geometrically more complex. Functions that could once be performed by a small cadre of tariff specialists now require not only a more highly trained and professional corps of trade negotiators, but also the effective support and participation of other domestic institutions that have jurisdiction and expertise in other, more esoteric areas of public policy.

B. GEOGRAPHY AND ECONOMIC COMPOSITION

Before addressing the grand strategy and precise tactics of a country, or considering how it organizes its institutions and defines it interests, it is necessary to start with the most basic considerations. Some characteristics of countries, such as their location or geology, can never be changed; other aspects, such as their economic composition, will change only slowly. These are the givens that a country must begin with when devising a TPF, as they each define the nature of the challenges and opportunities that a country faces.

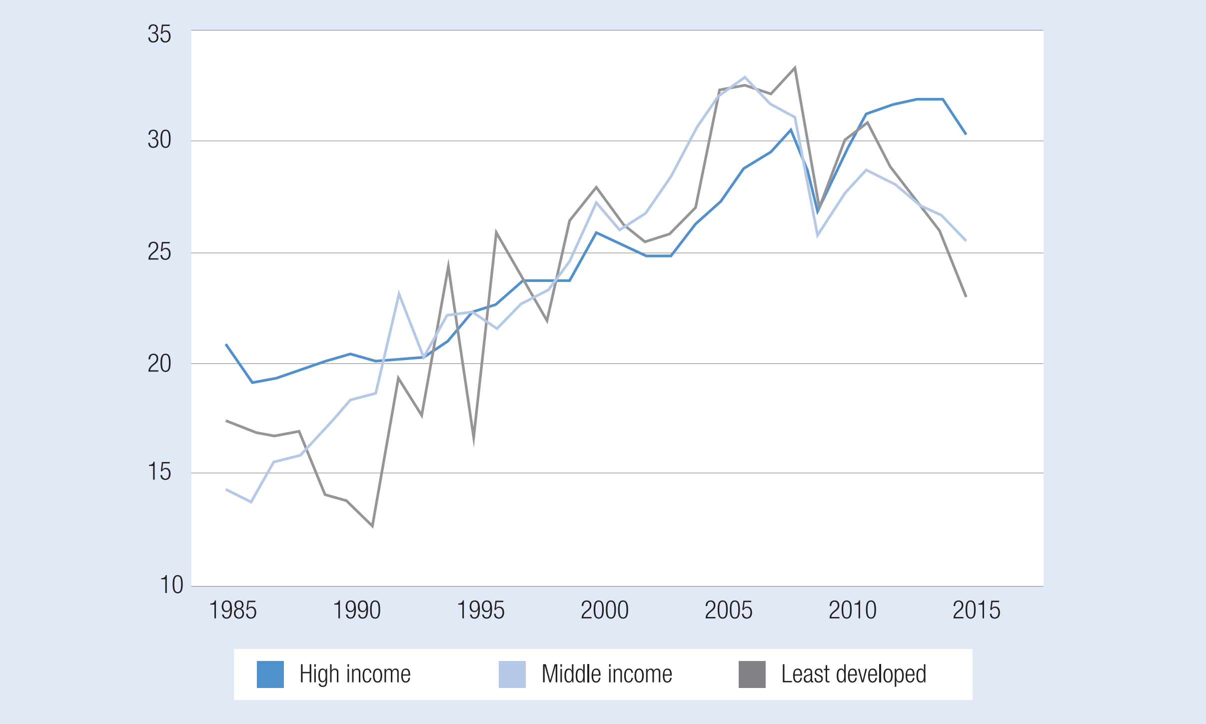
1. Composition of the economy

The classic means of describing any economy is to consider the relative importance of its three principal components. These are the primary sector (i.e. agriculture, mining, forestry and fisheries), the secondary sector (i.e. manufacturing and construction) and the tertiary sector (i.e. services). For the present purposes, the distinction between the first and third categories is the starkest. At some risk of oversimplification, economic development might be defined as the process by which countries become progressively less dependent on the primary sector (especially agriculture) while the tertiary sector becomes commensurately more prominent. This point can be appreciated from the data in figure 2, which show how the one sector diminishes and the other grows as incomes rise. That same point can be appreciated within different regions, as reported in tables 2 and 3. The least agricultural developing economies are, on average, 7.2 times richer than the most. Conversely, the most services-intensive economies are 8.1 times richer than the least. Both of these relationships hold true across all three major developing regions and are especially intense in Asia and the Pacific. While all three sectors have contributions to make, no country can properly be considered developed if it does not possess a diverse and competitive services sector.

Countries that are excessively dependent upon exports of one commodity, or a narrow range of primary goods, face numerous challenges to their development. Whether it is oil in Algeria, diamonds in Botswana, copper in Zambia, or the canal in Panama, countries do well not to depend too much on any one resource. Policymakers often hope to promote diversification of the economy, both vertically (i.e. moving up the value chain for a given sector) and horizontally (i.e. promoting the establishment and expansion of entirely new industries that are not unduly dependent on the country's natural resource bases). Often the next step in processing is obvious, whether that means moving from raw to refined copper (Zambia) or from fruits to fruit juices (Jamaica). The TPF for Rwanda, for example, pointed to several specific steps that could be taken to improve the country's capacity to move up the coffee value chain. These are all variations on the promotion of infant industries. Like that broad strategy, the relative value of this more specific policy depends on the details. A policy that is properly designed and implemented could well pay dividends, but one that is poorly conceived or badly executed could be wasteful and inefficient.

Diversification helps to expand the national economic portfolio, and thus reduce the vulnerability to external shocks, but it also requires that the country escape from what is often called the "Dutch disease." Originally coined in 1977 by *The Economist* to describe the decline of the Dutch manufacturing sector after the discovery of natural gas in that country, this term is now generally used to mean any situation in which an unhealthy dependence on natural resource exports is

Figure 2. Exports of goods and services as a percentage of GDP, 1985–2015 (Averages for countries by level of income)



Source: World Bank data at http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS.

Table 2. Relationship between the agricultural sector and income, 2015 (Average GDP per capita for non-oil developing countries)

	Small agricultural sector *Less than 5% of GDP*	Medium-sized agricultural sector *5–10% of GDP*	Large agricultural sector *More than 10% of GDP*
Africa	Income: $8 773 Number: 6	Income: $2 721 Countries: 7	Income: $1 001 Countries: 30
Americas	Income: $13 863 Countries: 7	Income: $8 282 Countries: 10	Income: $4 543 Countries: 8
Asia and the Pacific	Income: $34 008 Countries: 4	Income: $7 687 Countries: 4	Income: $2 566 Countries: 12
Total	Income: $14 018 Countries: 17	Income: $6 315 Countries: 21	Income: $1 943 Countries: 50

Sources: Agricultural value added as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS; GDP per capita calculated from World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

Note: Data for some countries are based on 2014.

Table 3. Relationship between the services sector and income, 2015 (Average GDP per capita for non-oil developing countries)

	Small agricultural sector *Less than 5% of GDP*	Medium-sized agricultural sector *5–10% of GDP*	Large agricultural sector *More than 10% of GDP*
Africa	Income: $1 444 Number: 20	Income: $2 250 Countries: 21	Income: $8 851 Countries: 4
Americas	Income: — Countries: 0	Income: $6 971 Countries: 16	Income: $12 264 Countries: 8
Asia and the Pacific	Income: $3 455 Countries: 6	Income: $5 986 Countries: 11	Income: $28 432 Countries: 4
Total	Income: $1 908 Countries: 26	Income: $4 680 Countries: 48	Income: $15 453 Countries: 16

Sources: Services value added as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NV.SRV.TETC.ZS; GDP per capita calculated from World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

Note: Data for some countries are based on 2014.

associated with a decline in the price competitiveness of a country's manufacturing or agricultural sectors. An increase in revenues from those primary exports could strengthen the national currency to the point where the country's other exports become too expensive to compete on world markets. Concerns over this problem lead some countries to develop proposals by which the revenues from extractive industries would be directed to export-diversification projects. Investing in alternative sectors, it is hoped, can help sustain growth, diversify risk, and ensured that non-renewable natural resources are more of a blessing than a curse.

Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.

Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities.

Two of the eight targets under Sustainable Development Goal 9:

Build resilient infrastructure, promote sustainable industrialization and foster innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

This does not mean that a country ought to do whatever it can to reduce the size of its primary sector, or to inflate its tertiary sector. What it does suggest is that there is a well-established pattern to the process of economic development, with countries upgrading the complexity and sophistication of their production from the most basic and fungible goods to the more distinct and differentiated activities. They need not eliminate their primary sectors, which may continue to play important roles even in the most advanced economies. An efficient primary sector, be it based on agriculture or other raw commodities, may be vital to a country's food security, its exports and its supplies to other industries.

How important is manufacturing to development? There is no doubt that most developed countries today went through a progression by which industry gradually eclipsed agriculture and was then eclipsed in turn by services. The data illustrated in table 2 also imply that the manufacturing sector tends to follow an arc as a country develops. The association between manufactures and development is so common that the term "industrialized" is still used as a synonym for "developed", despite the fact that services are now five times larger than manufactures in the average developed country. The Sustainable Development Goals call for the promotion of inclusive and sustainable industrialization in developing countries, as well as the advancement of industrial diversification and value addition to commodities. It is nonetheless worth noting that there are some developing countries that were once devoted principally to primary products and now have large services sectors, typically in tourism and associated fields. Some of those countries have little experience with manufacturing, either now or in the past, and in many cases their historical attachment to industry consisted largely of apparel production. That industry was artificially distributed throughout the world by a system of import quotas in the latter half of the twentieth century but has been greatly consolidated in the years since the quotas were lifted.

> The services sector is not the only main economic activity in Jamaica but has been the driver of economic growth in the last 20 years. With the exception of the 1990s, the growth rate of services outpaced both agriculture and industry.
>
> *Trade Policy Framework: Jamaica (2015)*

These are among the many issues for which each country's experience and prospects will vary. A TPF needs to provide detailed information on the evolution and current status of a country's primary, secondary and tertiary sectors. Due consideration should be given to the arc of development for specific industries in each of these broad sectors, based on the answers to a series of questions. Are there sunset industries in which the country has lost competitiveness? If so, is that the consequence of inexorable processes (e.g. the depletion of a natural resource), thus implying that the country should prepare for a phase-down in those operations? Or is the industry in the doldrums for identifiable and reversible reasons, thus implying that wise investments can be made in revitalizing its prospects? Are there important sunrise industries on the horizon, and what might be done to facilitate or promote new investment and productivity in these areas? Most important of all, are there steps that the country can take in trade and other areas of public policy that can help to ease the transition or reverse the decline, and to accelerate the development of industries that are on the rise?

A TPF should devote as much attention to the tertiary sector as it does to the primary and secondary sectors. Services are important not just as potential earners of foreign exchange, but as vital contributors to the competitiveness of other industries. Producers in the primary and secondary sectors can quickly be stifled if they do not have access to high-quality and affordable services in transportation, banking, and legal services. In devising a TPF, countries should consider not only the development of their own tertiary sectors, but also the contributions that foreign providers of services can make to the development of their primary and secondary sectors. Restrictions in this area can, in some cases, be just as self-defeating as barriers to the importation of raw materials.

Moving from the descriptive to the prescriptive, what types of policies might be most appropriate for countries that have differing mixes of these sectors? It might be comforting to imagine that devising an appropriate trade and development strategy by calibrating the ends and means of policy to the relative size of mining or manufacturing, but the differing experiences of specific countries suggests instead that this is a sui generis process unique to each economy. Consider the case of Panama, where the economy in general and the services sector in particular have done well in recent years. Panamanian growth over the last decade has more than double the regional average, and is reflected in numerous services associated with the external sector (e.g. the Panama Canal, the Colon Free Zone, ports, air transport, and tourism). One might well imagine that this success story points to the importance of fostering the tertiary sector and promoting the economic transition, and yet in this specific case, the TPF implied that some degree of rebalancing was in order. The report stressed that the shares of the manufacturing and agricultural sectors have declined, to the detriment of the working poor in both urban and rural areas. Panamanian policymakers now consider it desirable and feasible to stimulate the exportation of agricultural and manufactured goods with high levels of domestic value added. That will, according to the TPF, favour the laggard primary and secondary sectors, while also aiding areas outside of the country's interoceanic corridor.

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro, small and medium-sized enterprises, including through access to financial services.

Two of the 12 targets under Sustainable Development Goal 8:

Promote inclusive and sustainable economic growth, employment and decent work for all

8 DECENT WORK AND ECONOMIC GROWTH

Conclusions of this sort militate against any expectation that one might devise a simple set of universal guidelines for all countries that are based on unidimensional considerations such as the sectoral composition of the economy. The task of the TPF is instead to consider these and other factors in their entirety in order to determine the nature of the challenges that the country faces and how its resources might best be redirected.

2. Access to the sea

A TPF needs to take into account the most basic issues affecting a country's prospects, including its location and geographic characteristics. Economists have always recognized, for example, that access to the sea is an important factor in determining a country's ability to trade. According to Adam Smith (1776: 32), "it is upon the sea coast … that industry of every kind naturally begins to subdivide and improve itself, and it is frequently that not till a long time after that those improvements extend themselves to the inland parts". Modern economists agree that location is critical. Economic development is "shaped very importantly by the biophysical and geophysical characteristics of economies", according to McCord and Sachs, with incomes differing "in no small part because of sharp differences across regions in the natural resource base and physical geography (e.g. distance to coast), and by the amplification of those differences through the dynamics of saving and investment".[3]

The data in table 4 confirm that countries' access to the sea is closely related to their levels of success. Income levels in islands, isthmuses and peninsulas are three times higher than they are in the merely coastal

Table 4. Relationship between access to the sea and income (Average GDP per capita for non-oil developing economies)

	Islands, isthmuses and peninsulas	Coastal countries	Landlocked countries
Africa	Income: $5 126 Countries: 6	Income: $2 419 Countries: 28	Income: $1 183 Countries: 16
Americas	Income: $10 506 Countries: 12	Income: $7 519 Countries: 15	Income: $3 628 Countries: 2
Asia and the Pacific	Income: $15 673 Countries: 19	Income: $3 507 Countries: 9	Income: $1 928 Countries: 5
Total	Income: $12 287 Countries: 37	Income: $4 078 Countries: 52	Income: $1 558 Countries: 23

Sources: Calculated from World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD. List of landlocked countries from the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States at http://unohrlls.org/about-lldcs/country-profiles/.

countries and almost eight times higher than they are in landlocked countries. There are of course exceptional cases of islands that are relatively poor, as well as landlocked countries that are relatively rich, but "exceptional" is the key word. This distinction speaks to the importance of trade in development, insofar as those countries for which sea lanes are nearer and transportation costs are lower will typically have not only a greater propensity to trade but may also do so at lower cost. Landlocked countries are obliged to look to their neighbours for access to shipping facilities, and even if that access is relatively easy, their trade costs will inevitably be higher than those faced by coastal countries. This distinction also concerns the advantages that countries may enjoy in lucrative services sectors. In some countries, access to the sea might equate to an abundance of sun, sand, and surf. Tourism is an especially important sector for several of the more economically successful small island countries. Being an island may not guarantee the attraction of tourists, but it is undeniably an asset for many countries.

Access to the sea is thus a critical issue to take into account when devising the trade policy framework for any country. Those that enjoy this feature have an opportunity that they would do well to develop and to exploit, both for their own industries and (if they should have landlocked neighbours) for their regions; those that lack it must find ways to overcome this obstacle. This one factor may outweigh almost all others, apart perhaps from endowments of mineral resources, in its capacity to shape the opportunities available to countries. The point here is not that policymakers in island countries need do nothing in order to prosper, nor that their counterparts in landlocked countries should throw up their hands in despair. The implication is that planning should start from the realization that any country's challenges and opportunities will be shaped in the first instance by their geographic realities, and that these realities must be acknowledged and addressed directly.

Facilitate sustainable and resilient infrastructure development in developing countries through enhanced financial, technological and technical support to African countries, least developed countries, landlocked developing countries and small island developing States.

One of the eight targets under Sustainable Development Goal 9:

Build resilient infrastructure, promote sustainable industrialization and foster innovation

While it would go too far to claim that geography is destiny, it is evidently a major element in countries' challenges and opportunities. The most important issue here is not whether countries enjoy or do not enjoy this singular advantage, but rather what steps they take either to make the most of this advantage or — if they lack it — to make up for the deficit. When preparing a TPF, researchers would do well to consider how this factor has worked into the calculations made by their counterparts in other countries. Some TPFs explicitly deal with the consequences of being an island or landlocked. While the Jamaica document observed that in some respects the country's status as a small island State places it at a disadvantage, the TPF went on to promote a logistics hub initiative "that seeks to position Jamaica as the fourth node in global logistics (after Singapore, Rotterdam and Dubai)" in order "to push Jamaica to the centre of the global supply chain of the Americas" (p.75). Similarly, the TPF for Namibia stresses the development of transport corridors at the Port of Walvis Bay, and the Trans-Kalahari, Trans-Caprivi, Trans-Cunene, and Trans-Oranje regions. These corridors "are strategic to give a competitive positioning to Namibia as a transport hub for all regional and international trade between Southern African Development Community (SADC) countries, Europe, the Americas and beyond," according to the TPF (p.37), and the Government also "intends to develop an international logistics hub for SADC" and "has already commissioned a project on the master plan for development of an international logistics hub".

Adequate trade policy will spur further growth and boost employment, incomes and exports. However, trade policy in Zambia must take the country's specific difficulties and special circumstances into account in its design and implementation. The country has a small, resource-based internal market, widespread poverty and is landlocked with long distances to major ports.

Trade Policy Framework: Zambia (2016)

3. Other permanent or long-term characteristics

There are many other characteristics that might serve to enhance or retard a country's prospects for development, and hence should be addressed in a TPF. In addition to its resource endowments (e.g. mineral deposits and arable land), these include such diverse factors as its climate, ecological diversity, demographic profile and susceptibility to natural disasters (e.g.

hurricanes and earthquakes). Depending on the specific circumstances of a country, any or all of these characteristics may merit close attention, together with analysis of how they affect its prospects and what steps might be advisable to deal with them.

Countries may be distinguished, for example, according to their colonial heritage and the institutions that they inherited from that past. One of the most important of those institutions is language. In a global economy where English is unofficially the language of commerce and diplomacy, those countries where this tongue is predominant may enjoy certain advantages. They may be perceived as preferred destinations on the part of tourists from English-speaking countries, and potential investors from those same countries may also tend to favour partners in which communications will be simpler and legal systems may more closely resemble their own. Anglophone countries may also enjoy an advantage in the establishment of some ventures in which language skills are critical (e.g. call centres for reservations and customer service). The raw numbers support a correlation between economic opportunities and language. Among non-oil developing countries, the average income in English-speaking countries was $7,716 per capita in 2015. That was 35.5 per cent higher than the levels in developing countries where Dutch, French, Portuguese, or Spanish was spoken, and 80.1 per cent higher than in countries where non-European languages were spoken.[4]

While language may be considered a long-term characteristic of a country, it can also be addressed through education. One key issue that merits close attention in a TPF is how well the educational system of a country serves to prepare young persons for competition in a global economy, including their facility with languages. The same may be said for computer literacy, business and engineering skills, and other topics that should be taught to persons about to enter the national and worldwide marketplace of skills. The time horizon for the payoffs in education may be somewhat longer than those for infrastructure projects, but these investments may ultimately be the most important ones that a country can make in its own development.

C. RELATIONSHIP BETWEEN INCOME, EXPORTS AND OPEN MARKETS

What is the relationship between trade and development? For many observers and policymakers, the instinctive answer to that question is the simplest: Exports are assumed to be a benefit to the country, but imports represent a drain on national resources and a discouragement to local industry. That mercantilist outlook is by no means limited to developing countries, as variations on this theme are commonly heard in countries at all levels of income. But is it true?

The data presented below do support the first half of that assertion, insofar as there is a close relationship between high levels of income and high levels of exports, but the second half is much more controversial. Nearly all countries have sought at one time or another to stimulate local production and employment through restrictions on imports, including most countries that are now either developed or among the higher-income developing countries. It is only at later stages that countries typically move towards a more market-oriented approach, including the autonomous or negotiated reduction of their trade barriers. There are nonetheless a few examples of successful countries that committed themselves early to open markets, as well as evidence to suggest that restrictions on imports may be self-defeating. Protection can be costly not only to consumers but to export-oriented industries, introducing an anti-export bias in an economy.

The ideas and information presented in this section cannot resolve the perennial debate over what type of trade policy will best promote economic development. It nevertheless seeks to summarize the key points in that debate by reviewing the data on how development is associated with exports and economic freedom, relating the arguments advanced by the principal schools of thought and comparing the experiences of a few success stories.

1. Higher exports are associated with higher income

The data presented in table 5 support the contention that successful countries export more. On average, income levels are seven times higher in the countries that depend the most on exports than they are in the countries that depend the least. This disparity is even wider in some quarters, with incomes in the most export-dependent countries in Asia and the Pacific being fully 10 times higher than in that region's least export-dependent countries; the difference in the Americas is much smaller (just 1.7 times).

The data in table 6 do not show an equally close relationship between imports and income. Levels of

Table 5. Relationship between exports and income, 2015 (Average GDP per capita for non-oil developing countries)

	Low export dependence *Less than 25.0% of GDP*	Medium export dependence *25.1–50.0% of GDP*	High export dependence *More than 50.0% of GDP*
Africa	Income: $927 Number: 18	Income: $2 521 Countries: 21	Income: $8 684 Countries: 4
Americas	Income: $7 518 Countries: 8	Income: $8 831 Countries: 19	Income: $13 268 Countries: 1
Asia and the Pacific	Income: $2 480 Countries: 11	Income: $6 293 Countries: 9	Income: $24 777 Countries: 10
Total	Income: $2 814 Countries: 37	Income: $5 661 Countries: 49	Income: $19 718 Countries: 15

Sources: Exports of goods and services as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS; GDP per capita calculated from World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

Note: Data for some countries are based on 2014.

Table 6. Relationship between imports and income, 2015 (Average GDP per capita for non-oil developing countries)

	Low import dependence *Less than 25.0% of GDP*	Medium import dependence *25.1–50.0% of GDP*	High import dependence *More than 50.0% of GDP*
Africa	Income: $2 092 Number: 3	Income: $1 668 Countries: 22	Income: $4 260 Countries: 14
Americas	Income: $8 367 Countries: 4	Income: $8 666 Countries: 15	Income: $8 752 Countries: 10
Asia and the Pacific	Income: $4 233 Countries: 3	Income: $13 524 Countries: 12	Income: $9 875 Countries: 15
Total	Income: $5 244 Countries: 10	Income: $6 714 Countries: 49	Income: $7 571 Countries: 39

Sources: Imports of goods and services as a percentage of GDP based on World Bank data at http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS; GDP per capita calculated from World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

Note: Data for some countries are based on 2014.

income are still positively associated with this side of trade dependence, but the differences are not large. This may be partly explained by the fact that there are two very distinct types of countries with high levels of import dependence. On the one hand, this group includes those relatively small and poor countries that are obliged to import large quantities of food and other goods to meet domestic needs, much of which may be financed through grants and concessional loans; imports in these countries often exceed exports by a considerable degree. On the other hand, the more import-dependent group also includes some relatively rich, export-oriented economies that import raw and semi-processed materials for incorporation into the goods that they ship abroad. By mixing comparatively rich and poor countries together, the averages offer a misleading muddle.

> L'ouverture ne fait pas le développement mais le développement ne peut se faire sans elle. (Openness does not develop, but development cannot be achieved without it.)
>
> *Trade Policy Framework: Algeria (2016)*

2. Defining a country's strategic orientation

It is safe to assume that leaders in all developing countries would prefer to achieve the levels of income enjoyed among the developed countries, and it is nearly as safe to assume that they are prepared at some point to open their markets as much as those countries have already done. The more difficult question is precisely when that opening is best achieved.

> A business-friendly investment environment can be a very crucial element of supporting domestic and foreign investments. Jamaica has been improving its business environment by simplifying its regulations and procedures, and creating a more business friendly climate … Nevertheless, further improvements are possible by enhancing the quality of the institutional environment, governance and regulatory framework, and reducing bureaucracy and corruption.
>
> *Trade Policy Framework: Jamaica (2015)*

There is no contesting the fact that most of the same developed countries that today advocate a market-oriented development strategy, including a liberal orientation towards trade, took different approaches at earlier stages in their own development. Most of them employed protectionist measures in the nineteenth and early twentieth centuries, and vestiges of those earlier policies remain in place for a few sectors that are still highly insulated from foreign competition. The same may be said of some developing countries that are in the final stages of transition to developed-country status. One may certainly view with some scepticism any advice that amounts to a recommendation that "you ought to do as I say, not as I did". The more important issue is whether this advice, despite its self-serving appearance, is nevertheless correct.

The major schools of thought on this issue have an intellectual pedigree that dates back more than two centuries. As summarized in box 3, all three of them were established by the middle of the nineteenth century. While each of these doctrines have evolved over the ensuing years, the essential choices remain the same. Countries may opt to give the State the principal role in guiding the economy and directing trade, or leave the main decisions up to the market, or take a sequential approach in which the degree of market orientation expands (and the role of the state recedes) as the country ascends the economic ladder.

Box 3. Three classical positions on trade and development

For all that has changed in the world over the course of three centuries, the terms of the debate on trade and development are essentially the same as they were ever since Adam Smith provided the original argument for open markets, Alexander Hamilton offered a more State-centric riposte and Friedrich List proposed a sequential approach.

Smith argued in The Wealth of Nations (1776) that the true objective is not to build up surpluses and specie in a perpetual and zero-sum struggle, but instead to enhance the productivity of all countries through cooperative exchange. That is best done by achieving a rational division of labour both at home and abroad, which in turn requires that countries remove the barriers that inhibit specialization. David Ricardo replaced Smith's simple model of absolute advantage, making the more persuasive argument for comparative advantage in his Principles of Political Economy and Taxation (1817), and later authors offered further elaborations. The core pro-market message, however, remains unchanged: All countries may benefit if they each play to their strengths, remove their barriers and find their place in a global division of labour.

Hamilton served as the first secretary of the treasury in the first developing country of the early modern era. Recognizing that the United States was a post-colonial country with a large primary sector, an undeveloped manufacturing sector and a history of dependence on a distant metropolis, Hamilton argued in his seminal Report on Manufactures (1791) that joining the international division of labour might mean remaining on the lowest rungs of the economic ladder. He is best known for devising the "infant industry" argument for protection, advancing a positive role for a State that would intervene with tariffs, subsidies and other tools to support the birth and growth of new industries. In the mid-twentieth century, Raul Prebisch would revive Hamilton's arguments regarding the tendency for the terms of trade to work against the interests of countries that export raw materials and import finished goods. This became the foundation for Prebisch's advocacy of import-substitution industrialization.

List believed that the Smith and Hamilton prescriptions might each be appropriate in their time, depending on a country's level of economic development. In The National System of Political Economy (1844), he contended that countries naturally go through stages of development and that there are specific strategies appropriate to each of these phases. Countries must "modify their systems according to the measure of their own progress", he believed, adopting free trade in the first and last stages. In the middle stage, however, a country should employ trade restrictions and other interventionist measures to promote the development of industry. That same country could "gradually rever[t] to the principle of free trade and of unrestricted competition in the home as well as in foreign markets". The only major difference is in what List and his modern successors advise for the poorest countries: Whereas List believed that the level of protection should move from low to high and then back to low, his modern descendants argue that countries should start with high levels of intervention and then lower them as they develop.

The default strategy of most European countries from the sixteenth through the eighteenth centuries was classical mercantilism. This was a power-oriented doctrine by which the State manipulated trade in order to promote selected industries, achieve trade surpluses and accumulate precious metals. Adam Smith argued that mercantilism is inefficient and that the true wealth of nations is not a country's accumulated reserves, but resides instead in its efficiency and productivity. By this view, all countries would benefit from open markets and a global division of labour where each country produces those things in which it has an advantage. Alexander Hamilton then restated the mercantilist position in a new way, arguing that Smith's approach would benefit only the established manufacturing economies and consign the developing countries to a perpetually inferior position. He favoured an activist State that would use import restrictions and other tools to promote infant industries. List provided a synthesis of these views, believing that a rising country can benefit from protection and other forms of intervention, but that a country would be equally well advised to adopt more open policies once it achieves a high level of competitiveness.

All three of these positions have their modern proponents. Policymakers and economists in nearly all developed countries today advocate economic liberalism, joining Smith to argue that developing countries will do best by finding their own niche in a global market. That same argument has been persuasive in some developing countries, but is not as popular in those quarters as the Hamiltonian policy of import-substitution industrialization. As for List's sequential approach, Ha-Joon Chang is its most prominent modern proponent. Taking the title of *Kicking Away the Ladder* from one of his German predecessor's more colourful passages, he argues that the developed countries that now decry protectionism in developing countries are exercising historical hypocrisy. The "bad policies" that most now-developed countries "used so effectively when they themselves were developing should at least be allowed, if not actively encouraged", he urges. Chang acknowledges that while activist industrial, trade, and technology policies "can sometimes degenerate into a web of red tape and corruption, this should not mean that therefore such policies should never be used".[5]

For the purposes of this manual, the clearest comparison is between Smith's economic liberalism and the two-stage sequence that List and Chang promoted. The key question can thus be simply stated: Would developing countries be best advised to do as Smith argued, opening up their markets early, or would they benefit instead from the type of calibration that List proposed and Chang now reiterates? The question cannot be answered definitively just by showing that developed countries previously resorted to state-centric development strategies and protectionist trade policies. While that point is historically indisputable, it does not necessarily follow that the now-developed countries opted for the optimal policy mix. The List-Chang thesis suggests that these countries developed because they offered a protective shield for their infant industries, but a free trader would retort that they ultimately did so despite policies that stifled innovation and insulated inefficient producers from the benefits of real competition. Did trade barriers and subsidies accelerate the development of their industries, or are pro-trade advocates correct in arguing that these were wasteful efforts that merely encouraged corruption, prolonged the demise of inefficient industries and postponed the emergence of competitive exporters?

3. When should an economy open?

One way to address this question is to review the experiences of four Asian economies that, as summarized in table 7, offer practical demonstrations of the competing approaches. Hong Kong (China) committed to the market strategy while it was still a colony of the United Kingdom of Great Britain and Northern Ireland, with no barriers to trade and very little other state intervention in the market. Singapore did experiment briefly with import-substitution policies upon achieving its independence, but quickly moved towards openness. By contrast, Japan and then the Republic of Korea pursued essentially mercantilist strategies for most of the twentieth century, using import restrictions and other instruments to promote favoured industries. It was only after they achieved high levels of development, and also came under increasing pressure from their partners, that these two countries adopted more market-oriented policies.

The data show that all four of these economies would be considered successful by any reasonable standard, and all are now predominantly dedicated to free trade (with the notable exception of protection of agricultural sectors for Japan and the Republic of Korea). They are all leaders in the exportation of high-technology goods, and none of them impose high barriers to imports of non-agricultural goods. All of them are actively en-

Table 7. Characteristics of four Asian economies

	Early commitment to free trade		Two-stage trade strategy	
	Hong Kong (China)	Singapore	Japan	Republic of Korea
GDP per capita	$42 423	$52 888	$32 477	$27 222
Average MFN tariffs:				
On non-agricultural goods	0.0%	0.0%	2.6%	6.8%
On agricultural goods	0.0%	1.4%	19.0%	52.7%
Shares of GDP:				
Exports of goods and services	201.2%	176.5%	17.9%	45.9%
Imports of goods and services	198.8%	149.6%	18.9%	38.9%
Index of economic freedom	1st in world	2nd in world	22nd in world	27th in world
Area in square kilometres	1,104	697	377,915	99,720
Population	7.2 million	5.5 million	127.1 million	50.4 million
Agriculture as a share of GDP	0.0%	0.0%	1.2%	2.3%

Sources: GDP per capita: World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD; average MFN Tariffs: WTO at http://stat.wto.org/TariffProfile/WSDBTariffPFHome.aspx?Language=E; exports: World Bank at http://data.world-bank.org/indicator/NE.EXP.GNFS.ZS; imports: World Bank at http://data.worldbank.org/indicator/NE.IMP.GNFS.ZS; index of economic freedom: Heritage Foundation at http://www.heritage.org/index/ranking; area: World Bank at http://data.world-bank.org/indicator/AG.LND.TOTL.K2; population: World Bank at http://wdi.worldbank.org/table/2.1; agriculture: World Bank at http://data.worldbank.org/indicator/NV.AGR.TOTL.ZS/countries.

Note: Data are for 2015 when available, or otherwise for 2013 or 2014.

gaged in multilateral trade negotiations, and all except Hong Kong (China) are also involved in several regional initiatives. The economies differ in the degree to which they depend on trade, with the share of trade in GDP being several multiples higher in Hong Kong (China) and Singapore than it is in Japan and the Republic of Korea, and also in the extent to which they complement trade openness with other pro-market policies.

Depending on a person's perspective, Hong Kong (China) and Singapore could be seen either as pioneers or as exceptional cases (sometimes called "black swans"). The conclusions that might be reached from the evidence depend on the aspect that are considered most important. The strongest argument from a Smithian perspective comes in the final results: Income levels in Hong Kong (China) and Singapore are far above those in Japan and the Republic of Korea, and the speed with which they developed is even more impressive than what their East Asian neighbours achieved. By contrast, the strongest argument from a Listian perspective comes in the initial differences: Hong Kong (China) and Singapore are more like city States than large and diverse countries, have virtually no agricultural hinterland, generally depend on others for national defence, and enjoy the aforementioned special advantages of islands, isthmuses and peninsulas. There are few other polities, whether in modern times (e.g. Dubai and Macao, China) or in history (e.g. Athens and Venice), that might be directly compared to them. It could therefore be argued that they offer not a model that most other developing countries can reasonably hope to emulate, but a pair of sui generis cases that ultimately rest on special circumstances.

It may not be possible for other developing countries to replicate all of the elements that went into the success stories of Hong Kong (China) and Singapore, but there are some elements of their formula that merit close attention. They both score considerably higher on the index of economic freedom than do Japan and the Republic of Korea. Countries' place on this index, which is based on 10 quantitative and qualitative factors grouped into four broad categories,[6] correlate closely with their levels of income (table 8). Hong Kong (China) and Singapore are the only two developing economies classified as fully "free" on this index, a

Table 8. Relationship between economic freedom and income (Average GDP per capita for non-oil developing countries)

	Free	Mostly free	Moderately free	Mostly unfree
Africa	Income: — Number: 0	Income: $7 739 Countries: 2	Income: $3 758 Countries: 8	Income: $1 777 Countries: 35
Americas	Income: — Countries: 0	Income: $12 525 Countries: 4	Income: $8 332 Countries: 13	Income: $5 313 Countries: 9
Asia and the Pacific	Income: $47 656 Countries: 2	Income: $38 524 Countries: 3	Income: $10 257 Countries: 6	Income: $2 561 Countries: 19
Total	Income: $47 656 Countries: 2	Income: $20 128 Countries: 9	Income: $7 405 Countries: 27	Income: $2 519 Countries: 63

Sources: Economic freedom based on Heritage Foundation data at http://www.heritage.org/index/ranking; GDP per capita based on World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

distinction shared by only three developed countries (i.e. Australia, New Zealand and Switzerland). Average incomes in these two economies are 18.9 times higher than they are in the developing countries that are classified as mostly unfree or repressed. There is also a stepped progression in which incomes are higher in the group of moderately free countries than they are in the least open, and higher still among those that are classified as mostly free.

It is important to note that the correlation between income and a country's place on this index is stronger than the one observed earlier with respect to income and trade dependence. This implies that trade policy is best seen not as a wholly independent variable, but as a component in a wider set of economic policies. Taking the broadest view, a country's approach to trade is one aspect of the largest decision that every Government must make in its economic policies, namely the roles that it will assign to the market and to the state in determining what is produced, consumed, imported, and exported. That point is equally valid for those countries that give a leading role to the Government, others that prefer to let the market decide, and those that are in a transition from one emphasis to the other. The observed relationship underlines the view that a modern, developed economy that aims to compete effectively in the global market will have at its base efficient and well-governed institutions that facilitate, but do not seek to control, the development of private enterprise. What remains at issue is how far, and for how long, a country should rely on governmental direction and intervention to achieve that level of development. That is a core question to be answered in each TPF.

> [I]mport substitution implies raising costs and, perhaps temporarily, reducing efficiencies plus domestic availability of the commodities concerned. If temporary, these effects could be absorbed, presumably, but if they are not temporary then they risk compounding the horizontal deficits listed here, and more. It is difficult to see how that would promote Namibia's sustainable integration into the global economy on a long-term competitive basis.
>
> *Trade Policy Framework: Namibia (2016)*

Instruments of trade policy

The following is a review of the tools that countries may use in pursuit of their objectives. This analysis is not limited to the tariffs and other border measures that the country itself may use as instruments of trade policy. A TPF should examine all measures that the country employs, as well as those of its trading partners, that affect the ability to produce, export, and import goods and services, including those that are used for purposes other than commerce per se.

A TPF should provide a thorough review of all such measures at home and abroad. Those employed by the country itself should be reviewed with a view towards their improvement and adjustment, which may lead to recommendations for changes in laws, regulations, budgets or policies. The barriers, subsidies or other interventions that are employed by a country's trading partners might variously be addressed through negotiations or other representations to the partner, or — in extreme cases — could merit the adoption of countermeasures or the pursuit of complaints in the WTO's Dispute Settlement Body.

The more important of these tools are summarized in table 9, distinguishing them according to what they aim to achieve and where they are implemented. The measures that are imposed at the border are typically instruments of trade policy (narrowly defined), but many of those that are behind the border may be motivated primarily by other goals and might be only incidentally related to trade. Some of these instruments are wholly in the hands of government, while others (notably the trade-remedy laws) are usually triggered by petitions from the private sector. Whatever the rationale behind these various instruments, together they give countries a large toolbox that they might open whenever they think it is time to intervene in domestic and international markets.

There is no hierarchy among the instruments shown in table 9, as their relative importance to countries will vary according to their circumstances. Countries differ with respect to their locations, geographic types and endowments of natural and human resources, and also show a great diversity in the depth and composition of their economies and the structure of their political institutions. All of these considerations affect the relative importance attached to any given instrument. There are some countries in which tariffs remain an important instrument of industrial policy,

Table 9. Instruments that countries may use to influence trade

		Aim or effect of the measure	
		Discourage imports or exports	*Encourage imports or exports*
Where measure is deployed	At border	– Tariffs – Quotas and tariff-rate quotas – Rules of origin – Trade-remedy laws – Bans on counterfeit goods – Taxes, bans and other restrictions on exports	– Preferential tariff treatment – Preferential quota treatment – Trade facilitation – Duty drawbacks – Export-processing or free zones – Export subsidies – Waivers on duties
	Behind or beyond border	– Taxes – Sanitary and phytosanitary measures[a] – Technical barriers to trade[a] – Price controls – Trade-related investment measures – Restrictions on distribution – Preferential government procurement	– Tax concessions – Investments in infrastructure – Production subsidies – Stockpiling – Foreign assistance that is provided in kind or otherwise tied

Note: Measures that are beyond the border include those imposed on goods prior to their shipment to the importing country (e.g. pre-shipment inspection).

[a] Denotes a measure that may not and, according to WTO agreements, should not be employed with the aim of affecting trade. Such measures may nonetheless affect imports and exports indirectly.

for example, and may also be a major source of government revenue, while other countries impose few or no taxes on imports and exports. The same might be said of other implements that figure prominently in the toolboxes of some countries, and are altogether absent in others.

A. MEASURES AFFECTING THE MOVEMENT OF GOODS

The most traditional focus of a trade ministry is on those policy instruments that regulate the movement of goods at the border. Tariffs are the most obvious of these tools, but they are of diminishing importance in many markets. Other matters affecting the movement of goods, such as customs procedures and basic infrastructure, are increasingly critical determinants of countries' export competitiveness.

1. Tariffs

Apart from exceptional cases such as Hong Kong (China), virtually all countries impose tariffs on imports. Some also employ export taxes, but these tend to be applied only to raw commodities that are exported by certain developing countries. Countries sometimes impose additional taxes, fees and other charges on imports, such as those associated with the processing of merchandise by customs officials. For the sake of simplicity, only traditional tariffs on goods will be examined here.

Tariffs have been the most important tool of trade policy for centuries, and in many countries they remain a significant source of government revenue. The legal commitments that some developing countries now make to reduce or even eliminate tariffs, whether on a bilateral or multilateral basis, are a relatively recent development. During most of the GATT period (1947–1994) few of these countries were contracting parties to the agreement, and most of those that were in GATT made minimal commitments. Most of their tariffs were unbound (i.e. there were no upper limits placed on the levels of their tariffs), their bound tariffs typically had a great deal of "water" in them (i.e. the bound level was well above the actual level at which tariffs were applied), and they rarely signed on to the non-tariff agreements emerging from a GATT round. That all changed in the Uruguay Round (1986–1994), in which most developing countries made significant commitments. Those negotiations, which coincided with the pro-market Washington Consensus and transformed GATT into WTO, also introduced the "single undertaking" as the basis for multilateral negotiations. That rule requires that all WTO members sign on to all of the agreements that emerge from a negotiating round. Commitments have been even deeper for those countries that acceded to WTO after 1995. Beyond their multilateral commitments, many developing countries have negotiated RTAs with one or more of the major economies. These agreements generally provide for the phase-out of most tariffs imposed on qualifying imports from partners to the agreement.

The net result is that average tariff rates today are much lower than they were in past generations, both for developed and developing countries, but those averages mask significant variations among countries. This can be appreciated from the data in tables 10 and 11, which show the average most favoured nation

Table 10. Relationship between non-agricultural tariffs and income, 2014 (Average GDP per capita for non-oil developing countries)

	Low MFN tariffs *5.0% or less*	Medium MFN tariffs *5.1–10.0%*	High MFN tariffs *10.1% or more*
Africa	Income: $9 117 Number: 1	Income: $3 453 Countries: 9	Income: $1 230 Countries: 32
Americas	Income: $4 588 Countries: 7	Income: $9 185 Countries: 16	Income: $11 170 Countries: 6
Asia and the Pacific	Income: $31 126 Countries: 7	Income: $5 979 Countries: 13	Income: $2 385 Countries: 8
Total	Income: $17 274 Countries: 15	Income: $6 731 Countries: 38	Income: $2 727 Countries: 46

Sources: Average tariffs from WTO (2015); GDP per capita calculated from World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

Notes: Tariffs are simple averages for applied MFN rates. Data for some countries refer to 2013.

Table 11. Relationship between agricultural tariffs and income, 2014 (Average GDP per capita for non-oil developing countries)

	Low MFN tariffs *5.0% or less*	Medium MFN tariffs *5.1–10.0%*	High MFN tariffs *10.1% or more*
Africa	Income: $9 117 Number: 1	Income: $4 187 Countries: 5	Income: $969 Countries: 36
Americas	Income: $6 122 Countries: 1	Income: $7 570 Countries: 5	Income: $8 749 Countries: 24
Asia and the Pacific	Income: $42 328 Countries: 5	Income: $2 402 Countries: 5	Income: $4 775 Countries: 17
Total	Income: $32 411 Countries: 7	Income: $4 720 Countries: 15	Income: $4 234 Countries: 77

Source: Average tariffs from WTO (2015); GDP per capita calculated from World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

Notes: Tariffs are simple averages for applied MFN rates. Data for some countries refer to 2013.

(MFN) tariffs imposed by non-oil developing countries on non-agricultural and agricultural products. As a general rule, the data confirm an inverse relationship between duty rate and income: Tariff barriers tend to be higher in the poorer countries and lower in the richer countries. Incomes are more than six times greater in the countries where average tariffs on non-agricultural tariffs are 5 per cent or less, as compared to those where these tariffs are greater than 10; the income multiple is larger still (7.7 times) when it comes to tariffs on agricultural products.

These observations speak to important issues in the debate over trade and development. The data tend to follow the sequence whereby countries appear to calibrate their market-opening initiatives to the pace of their development. A proponent of free trade might go on to argue a more direct causation: The countries that open their markets the most are the ones that reap the greatest benefits. That may be too great a leap to make on the basis of a small amount of data, however, especially when considering the spottiness of the apparent pattern. The correlation between wealth and openness is not supported, for example, by the observations for developing countries in the Americas. Incomes in that region show a positive relationship with tariffs; this is especially true for non-agricultural tariffs, where incomes in the high-tariff countries are more than twice as high as they are in the low-tariff countries. A few outliers account for some, but certainly not all, of the difference. While GDP per capita in the Bahamas is an impressive $22,897, the average applied MFN tariffs in that country are 37.3 per cent for non-agricultural goods and 21.8 per cent for agricultural products. By contrast, in Haiti ($829 per capita income) these average tariffs were 4.2 per cent and 8.2 per cent , respectively.

Beyond reviewing a country's own tariff profile, and considering whether changes should be made to it, a TPF should examine in depth the tariff barriers that the country faces in its exports to actual and potential partners. To start with, what kind of access does the country enjoy to these markets? Is that access on a simple MFN basis, or is it preferential? Are those preferences autonomous on the part of the partner country (e.g. through a programme such as the Generalized System of Preferences), or are they reciprocal (i.e. in an RTA)?[7] Are the preferences comprehensive, or are important products and sectors excluded?

> [T]he constraints and problems that inhibit export growth … arise in production, in moving goods and services across the border, and in export markets. A trade policy framework must therefore identify and tackle the constraints and problems faced by exporters at every stage of this process of production and distribution of goods and services for export.
>
> *Trade Policy Framework: Zambia (2016)*

TPFs that review the market access enjoyed by developing countries, and especially the least developed countries, typically find that tariff barriers in the markets of developed partners are low or even non-existent for many products. This has long been true for raw materials, and today many manufactured exports of developing countries are eligible for reduced-duty or duty-free entry through either preferential programmes or RTAs. There may nonetheless remain some important exceptions to that general rule, either for products that the country now exports or that it might export in the future. These exceptions need to be identified, quantified and analysed. A TPF should also review the costs and benefits of seeking to reduce or eliminate these remaining tariff barriers, whether through the negotiation of new trade agreements or through improvements to a partner's preferential trade programmes. Those improvements might also entail reforms to a programme's rules of origin, which are often written in ways that are difficult for developing countries to meet.

A TPF will sometimes find that it is in a country's interest to undertake its own tariff reforms on an autonomous basis. That can be based on assessment of whether the existing tariffs act as an impediment to the establishment or operation of national industries, typically by raising the costs of the capital equipment or inputs that they need to import. The TPF for Zambia, for example, proposed that applied MFN tariffs on most goods should be maintained at the current rates (ranging from zero to 25 per cent), but that consideration should be given to binding tariffs on capital goods at zero so as "to allow firms to invest in new plants and equipment" (p.53).

If a TPF proposes that a country seek to reduce or eliminate a tariff imposed by a partner country, it should do so in the context of a larger plan. It is generally not practical to ask that a specific partner eliminate a tariff on a single product, unless there are special mechanisms in place that provide for just such a move.[8] If the country concerned aims to negotiate for the elimination of certain tariff barriers, it will typically need to do so either in WTO negotiations or in an RTA. If the TPF goes in that direction, it ought to be comprehensive in identifying the country's offensive and defensive interests in a negotiation. Offensive interests are those commitments that a country seeks from its negotiating partners, while its defensive interests are shown in the country's reluctance to make concessions in sensitive areas. The offensive interests of a country will typically be concentrated in those sectors for which it is more competitive than its partner, but that partner's barriers are relatively high. Conversely, these may be the very same areas in which the partner's defensive interests are highest. To find some arrangement that satisfies both sides, negotiators must exercise the art of compromise. Before these negotiators can even begin, however, they must first know their own interests — as well as those of their partner — in detail. That requires, as a first step, that they be armed with the necessary data on trade and the tariffs that each side imposes. A TPF should not only conduct such a review for any negotiations that it may contemplate, but also make recommendations designed to ensure that the country can perform similar calculations in any negotiations in which it may be engaged in the future.[9]

2. Procedures and rules affecting the movement of goods

Tariffs can be thought of as the highest and most visible part of an iceberg that may block entry into a harbour. Whether those tariffs are relatively high or low, the mass of procedures that lay beneath them could prove to be even more obstructive. A TPF should devote just as much attention to the other procedures and rules that affect the movement of goods as it does to tariffs, and should be especially attentive to those that the country itself might employ. Unlike tariffs, which may at least have the ancillary benefit of providing government revenue, these other barriers will sometimes amount to little more than a deadweight loss for the country and its partners. A TPF will do well to identify ways in which border procedures may be made more efficient and affordable for both exports and imports.

The TPF for Algeria, for example, stresses that port infrastructure has not evolved since independence and is unsuitable for container traffic. This imposes additional costs on the economy via congestion, waiting times and demurrage. Similar problems plague the air transport sector. Despite substantial investment in airport infrastructure, there is a shortage of space and equipment (e.g. dedicated scanners for processing perishable fruits and vegetables). The TPF recommended a new plan for the extension and modernization of existing ports.

The data in table 12 underline the significance of this problem for countries in all developing regions, showing the amount of time and money it takes to export or import goods. These numbers are based on World Bank calculations that assess the actual procedures required in each country, averaged out here for regions. For example, border compliance for exports is calculated as "time and cost for obtaining, preparing and submitting documents during port or border handling, customs clearance and inspection

Table 12. Average time and costs involved in trading across borders

	OECD high income	East Asia and the Pacific	Europe and Central Asia	Latin America and the Caribbean	Middle East and North Africa	South Asia	Sub-Saharan Africa
Time to export:							
Border compliance	15.2	51.4	27.6	86.1	65.4	60.9	108.2
Documentary compliance	4.5	74.7	30.7	68.0	78.8	79.8	96.6
Total compliance hours	19.7	126.1	58.3	154.1	144.2	140.7	204.8
Cost to export:							
Border compliance	159.9	395.7	219.2	492.8	445.1	375.6	542.4
Documentary compliance	35.6	166.9	143.8	134.1	351.1	183.9	245.6
Total compliance costs	195.5	562.6	363.0	626.9	796.2	559.5	788.0
Time to import:							
Border compliance	9.4	59.3	23.2	106.8	119.7	113.9	159.6
Documentary compliance	3.9	69.7	27.4	93.3	104.7	108.1	123
Total compliance hours	13.3	129.0	50.6	200.1	224.4	222	282.6
Cost to import:							
Border compliance	122.7	420.8	202.4	665.1	594.3	652.8	643.0
Documentary compliance	24.9	148.1	108.1	128.1	384.6	349.3	351.3
Total compliance costs	147.6	568.9	310.5	793.2	978.9	1002.1	994.3

Source: World Bank Doing Business data at http://www.doingbusiness.org/data/exploretopics/trading-across-borders.
Note: Times are expressed in hours; costs, in dollars.

procedures". The data show that by comparison to the Organization for Economic Cooperation and Development (OECD) countries, the procedures in the average sub-Saharan African country take 10.4 times as many hours for exports and 21.2 times as long for imports. In the Middle East and North Africa, the costs associated with compliance are especially large. These costs are 4.1 times more expensive than those of the OECD countries for exports, and 6.6 times greater for imports. The gap is smaller between the OECD countries and the developing countries of Europe and Central Asia, but even there it remains considerably more time consuming and expensive to comply with the trade procedures in the lower-income than in the high-income countries.

A TPF should start by reviewing the reported World Bank data and examine the various requirements that the country currently imposes on exporters and importers. Most countries could benefit from reforms in the amount of paperwork that is required to be filed, and in the ways that the data are submitted and processed. A TPF should also address the question of whether the country ought to sign on to the WTO Trade Facilitation Agreement, what reforms might be needed to bring the country into compliance with this agreement, and what technical assistance might be sought to achieve these reforms.

Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.

One of the eight targets under Sustainable Development Goal 9:

Build resilient infrastructure, promote sustainable industrialization and foster innovation

Countries may also consider other means of facilitating the movement of goods. These include special tariff treatment for certain products, free zones, duty drawback programmes and exemptions.

3. Subsidies and other incentives

One of the most delicate questions in any country's trade and development strategies concerns the role of the State in providing aid to local producers. This issue goes to the heart of the question of whether development will be state-directed or market-driven. And while there is on the one hand a strong argument to be made for Government to assist private industry in overcoming structural impediments, especially in the case of infant industries, there are also legitimate concerns to be raised over the capacity of the Government to pick winners and losers. A State that does not aid industry at all may be thought derelict in its duties, but one that intervenes too vigorously might run the risks of jamming market signals or degenerating into corruption.

Even countries that generally favour a laissez faire approach to economic development may find room for incentive programmes. Consider the cases of Panama and the Dominican Republic, both of which have strategies that generally put the market before the State in the pursuit of trade and development. Government support programmes "are highly important to promote competitiveness, exports and attract investment", according to the TPF for Panama, and "assistance is also relevant for the establishment of industries and manufactures outside of the interoceanic area". That report urged that instruments be used "to strengthen local industrial areas and to economically revitalize the west and east zones of the country" in order to "generate a demand for locally produced supplies with quality specifications and may promote technology transfer". In Panama, the investment promotion agency Proinvex was created in 2009 to manage a one-stop-shop-integrated information system that allows investors to easily identify all the instruments available to support foreign direct investment. The TPF argues that this institution requires more human and financial resources, and that trade and investment promotion would benefit from a clear plan that defines operational priorities in line with the long-term development goals of the country. The report further argued that the Authority for Consumer Protection and Competition should receive increased attention and a more prominent role.

Two notes of caution nonetheless arise whenever considering programmes that extend incentives to producers. One concerns the budgetary impact that incentives might have. Budgets are tight in all countries, especially poorer countries, and any programmes that involve either the appropriation of funds or the forgiveness of taxes (internal or external) need to be approached with caution. Export subsidies in particular raise concerns over equity and effectiveness. While it might at first appear justified for the Government in a developing country to offer such subsidies as a means of overcoming the structural disadvantages under which their producers must operate, these payments might alternatively be considered a mechanism by which funds are transferred from the taxpayers in developing countries to the consumers in other (usually richer) countries. That is a transaction that may be difficult to justify from the standpoint of distributive justice.

> Promote the rule of law at the national and international levels and ensure equal access to justice for all.
>
> Substantially reduce corruption and bribery in all their forms.
>
> Develop effective, accountable and transparent institutions at all levels.
>
> Ensure responsive, inclusive, participatory and representative decision-making at all levels.
>
> Four of the 12 targets under Sustainable Development Goal 16:
>
> *Promote just, peaceful and inclusive societies*

Concerns also arise over the potential abuse of such programmes, especially those that involve a high degree of governmental discretion in their allocation. The institutions that administer these funds need to operate objectively, and not play favourites, but this can be problematic if the country in question encounters problems in the rule of law. Here it may be appropriate to repeat the observation that "the State that governs least governs best," insofar as corruption begins with opportunity. Those countries in which the State intervenes heavily in the economy, whether through taxes and tariffs or through subsidies and other incentives, are also the ones in which unscrupulous persons may perceive the greatest advantages in exercising undue influence on public officials. The aim might variously be to avoid tariffs or taxes, or evade some regulation, or win a procurement contract, or obtain access to a subsidy, with favours in these areas being rewarded through some form of bribery to the administering officials. Corruption and arbitrary government are self-inflicted wounds that prevent countries from achieving their full potential. On average, incomes in those countries that are perceived to be the least corrupt are 16 times higher than they are in the most corrupt countries.[10]

These observations point to the need to put adequate safeguards in place so as to ensure that state intervention in the economy is not too expensive, stifling or subject to abuse. As discussed in the TPF for Jamaica, it is important not to offer too wide and overlapping an array of incentives. In addition to free zones, Jamaica provides incentives that variously offer waivers or moratoriums on taxes and tariffs, accelerated depreciation and other forms of preferential tax treatment. The country also has special incentives in place for the tourism, information and communications technology, and film sectors. The TPF proposed that these programmes be rationalized. And while the TPF for Panama observed that logistic and financial support might be provided in order to facilitate exporters' participation in trade fairs and similar initiatives, it argued that this should be done only to the extent that it does not introduce market distortions. The TPF for Algeria stressed the importance of fighting corruption and argued that better use of computer controls could help to identify any customs agents that might be abusing their authority.

4. Antidumping and other trade-remedy laws

Trade-remedy laws offer another means of regulating trade at the border. The most significant of these is the antidumping statute, a mechanism by which countries may impose additional duties on imports that may be found to be sold at less than fair value. A related instrument is the countervailing duty (CVD), used to impose penalty tariffs on products that are found to benefit from subsidies. While the number of countries that employ antidumping laws is on the rise, the CVD law is less frequently invoked. Countries are even less inclined to impose restrictions under safeguards, which are intended to deal with imports that are fairly traded but still considered to be injurious. The safeguard laws were often invoked in the concluding decades of the twentieth century, especially by developed countries, but the mechanism has only rarely been used since the conclusion of the Uruguay Round. The reforms agreed to in those negotiations have made it extraordinarily difficult for any country to win any challenges to safeguard measures that are brought to the WTO's Dispute Settlement Mechanism.

The antidumping law had once been seen primarily as a means by which developed countries restricted imports from developing countries, but that has changed. WTO members reported imposing 3,058 antidumping orders from 1995 through 2014. The European Union and the United States collectively accounted for 643 orders, or 21.0 per cent of the total, but the two largest users of antidumping laws among the developing countries — Argentina and India — had 762 orders of their own (i.e. 24.9 per cent of the total).[11] There were altogether 48 developing countries subject to antidumping orders during this period, but that includes 9 countries that were subject to just 2 or 3 orders each, and 14 that faced just one order. China was the target of the greatest number — the 759 antidumping orders against that country constituted 24.8 per cent of the total — while other large, Asian economies attracted many of the others. Nearly half of all orders (1,497) were imposed on China, India, Indonesia, the Republic of Korea, Taiwan Province of China and Thailand.

The data in tables 13 and 14 show the relative frequency with which different developing countries have either been senders or receivers under the antidumping law. The two tables confirm a general relationship between the size of a developing country and its propensity to be on either side of these transactions. China and India, for example, top the lists in both respects. There are only a few exceptions to this general rule, including two countries that imposed no orders but were subject to at least one (i.e. Israel and Zimbabwe), and four countries that imposed orders on others but were not subject to any (i.e. Costa Rica, Jamaica, Morocco and Nicaragua). The data show that 31 developing countries have imposed antidumping orders since 1995 and that another 24 have taken steps towards doing so. That leaves nearly 100 developing countries that neither conduct investigations nor impose orders.

> As a result of its SACU membership, Botswana must apply trade defences adopted by South Africa's International Trade Administration Commission (ITAC) on behalf of SACU, and Botswana in particular. In 2013 Botswana issued the Botswana Trade Commission Act, which aims to create an organism responsible for trade remedies, the Botswana Trade Commission … [that] is still in the process of being established.
>
> *Trade Policy Framework: Botswana (2016)*

Table 13. Antidumping orders imposed on developing countries, 1995–2014

	Africa and the Middle East	Americas	Asia and the Pacific
Subject to 100+ orders	—	—	China, India, Indonesia, Republic of Korea, Taiwan Province of China, Thailand
Subject to 11–100 orders	Saudi Arabia, South Africa, United Arab Emirates	Argentina, Brazil, Chile, Mexico, Venezuela (Bolivarian Republic of)	Hong Kong (China), Iran (Islamic Republic of), Malaysia, Singapore, Turkey, Viet Nam
Subject to 1–10 orders	Algeria, Egypt, Israel, Jordan, Kenya, Kuwait, Libya, Malawi, Nigeria, Oman, Qatar, Zimbabwe	Colombia, Cuba, Dominican Republic, Ecuador, Guatemala, Honduras, Paraguay, Peru, Trinidad and Tobago, Uruguay	Bangladesh, Macao (China), Nepal, Pakistan, Philippines, Sri Lanka

Source: Calculated from WTO data posted at https://www.wto.org/english/tratop_e/adp_e/adp_e.htm.

Table 14. Antidumping activity by developing countries, 1995–2014

	Africa and the Middle East	Americas	Asia and the Pacific
100+ orders imposed	South Africa	Argentina, Brazil	China, India, Turkey
11–100 orders imposed	Egypt, Israel	Colombia, Mexico, Peru, Venezuela (Bolivarian Republic of)	Indonesia, Republic of Korea, Malaysia, Pakistan, Philippines, Taiwan Province of China, Thailand
1–10 orders imposed	Morocco	Chile, Costa Rica, Dominican Republic, Guatemala, Jamaica, Nicaragua, Paraguay, Trinidad and Tobago, Uruguay	Singapore, Viet Nam
10+ investigations but no orders	Saudi Arabia, United Arab Emirates	—	Hong Kong (China), Iran (Islamic Republic of)
1–10 investigations but no orders	Algeria, Bahrain, Jordan, Kenya, Kuwait, Libya, Malawi, Mozambique, Nigeria, Oman, Qatar	Cuba, Ecuador, El Salvador, Honduras	Bangladesh, Democratic People's Republic of Korea, Macao (China), Nepal, Sri Lanka

Source: Calculated from WTO data posted at http://www.wto.org/english/tratop_e/adp_e/AD_InitiationsByExpCty.xls and http://www.wto.org/english/tratop_e/adp_e/AD_MeasuresByRepMem.xls.

The options are limited for developing countries that are targeted by antidumping laws. Legal defence against these cases can be quite costly, both in the country where the case is originally brought and (if a challenge is made) in the WTO, and those expenses are usually borne by the exporting firm. Sometimes an exporter will be so intimidated by the costs that it will opt to leave the market altogether. Negotiators from developing countries have sought reforms in these laws, but have so far achieved little progress in that direction. Simply stated, the antidumping laws of the developed countries are one of the most damaging exceptions to the general rule by which those countries have reduced their barriers to trade to a fraction of what they once were.

Should those developing countries without antidumping laws of their own emulate the practices of larger countries? While legitimate concerns may arise over potentially unfair import competition, it does not necessarily follow that the antidumping law is the best response. It might require a half dozen or more highly trained professionals (as well as a substantial budget for travel and other expenses) to carry out the responsibilities of a national antidumping law. This is not something that can be done "on the cheap," as any findings of an antidumping authority can be challenged by a country's trading partners in the WTO. It can be quite expensive for a country to ensure not only that its antidumping investigations are properly conducted, but that the results are effectively defended from any legal challenges that might follow. Whatever time and manpower a country might devote to the establishment and operation of an antidumping unit might be better used in some other function of the trade ministry. One exception to this general rule comes in the case of regional organizations that may take on this function on behalf of their member States. Botswana, for example, is developing its own capabilities in conjunction with the Southern African Customs Union (SACU).

Similar points may be made with respect to CVD law. As can be seen from the data in tables 15 and 16, compared to the antidumping law, this option is much less frequently invoked by or against developing countries. Only 22 developing countries were subject to CVD orders during 1995–2014, and India was the only one facing more than 10 orders. Ten developing countries imposed CVD orders of their own, while four others conducted investigations without imposing orders.

B. MEASURES AFFECTING INVESTMENT AND TRADE IN SERVICES

A TPF needs to cover the full array of issues affecting a country's prospects for trade and development. In addition to border measures affecting goods, these may include a very wide range of matters related to investment, trade in services, and any other law, regulation, or policy that might constrain or promote the country's ability to compete in the global market. The specific measures at issue may differ greatly from one country to another, depending on the types of industries in which it is engaged, its principal partners in international trade and investment, and the nature of its domestic legal and regulatory regime.

Perhaps the most problematic topic for interministerial consultations is trade in services, a subject that naturally implies the possibility that trade negotiators may step onto the turf of the ministries of transportation, finance, justice, and education, among others. The issue is partly one of awareness. From actors to accountants, and from bus drivers to bankers, service providers may never have thought of themselves as actual or potential exporters. They may

Table 15. Countervailing duty orders imposed on developing countries, 1995–2014

	Africa and the Middle East	Americas	Asia and the Pacific
Subject to 11–100 orders	—	—	India
Subject to 1–10 orders	Côte d'Ivoire, Israel, South Africa, United Arab Emirates	Argentina, Brazil, Colombia, Mexico, Venezuela (Bolivarian Republic of)	China, Indonesia, Iran (Islamic Republic of), Republic of Korea, Malaysia, Pakistan, Philippines, Sri Lanka, Taiwan Province of China, Thailand, Turkey, Viet Nam

Source: Calculated from WTO data posted at https://www.wto.org/english/tratop_e/scm_e/CV_MeasuresByExpCty.pdf.

Table 16. Countervailing duty activity initiated by developing countries, 1995–2014

	Africa and the Middle East	Americas	Asia and the Pacific
11+ orders imposed	—	Mexico	—
1–10 orders imposed	South Africa	Argentina, Brazil, Chile, Costa Rica, Peru, Venezuela (Bolivarian Republic of)	China, Turkey
Investigations but no orders	Egypt, Israel	—	India, Pakistan

Source: Calculated from WTO data posted at https://www.wto.org/english/tratop_e/scm_e/CV_MeasuresByRepMem.pdf and https://www.wto.org/english/tratop_e/scm_e/CV_InitiationsByRepMem.pdf.

be quite surprised to hear that their activities come within the ambit of trade negotiations. Matters are more complicated if the ministries that regulate these sectors object to a process by which the trade ministry may negotiate commitments affecting the laws and regulations that they implement. Many officials in trade ministries have had similar, negative experiences in the run-up to new negotiations, encountering strong resistance from other government agencies when they request guidance on what the country should seek in a negotiation, and be prepared to give up, when bargaining over the commitments made on trade in services. Both for services providers and the corresponding line ministries, trade negotiators often find that it is necessary to conduct awareness-raising exercises such as national seminars on trade in services in order to educate the public and private sectors and to establish working relationships with regulators and stakeholders.

The analysis of tariff and trade data for goods is relatively simple by comparison with the task of assessing the impact of non-tariff measures affecting goods, services, investment and intellectual property. Information on these measures can be much more difficult to obtain, and their consequences can be harder to quantify, both for one's own country and one's trading partners. Services pose especially difficult challenges. The general scheme and language of the General Agreement on Trade in Services (GATS) mimic the principles and structure of the goods-oriented GATT, but on closer inspection, this agreement and its subject matter are conceptually far more complex. The way in which commitments are negotiated and expressed is entirely different, and analysts cannot easily gauge the actual effect of these commitments. A country's GATS commitments do not readily indicate whether they are truly liberalizing, or are just bound at the applied rate, or even above that rate (i.e. permit a country to become more restrictive than it presently is). Matters are further complicated by the fact that there is no universally accepted nomenclature for services, and even the most economically advanced countries' statistics on trade in services are at best incomplete. These are all obstacles that need to be overcome, to the maximum extent possible, when assessing a country's actual and potential engagement in trade in services.

Countries are affected in varying ways by trade in services. They may have interests as both exporters and importers, depending on the sector and the mode in which the service is being traded, and the services in question may affect a wide range of related sectors. Even goods-producing sectors will rely on access to quality services at affordable prices, and restrictions on foreign providers of those services may impose costs on other domestic producers. That is why the TPF for Zambia recommended that the country pursue unilateral liberalization of its services sector, adopting a "4 plus 5 strategy" in the WTO. "This strategy," it asserted, "will help the country focus on the sectors which are important for reducing costs and are currently impeding growth: financial services, telecommunications, transport and energy" (p.52). The TPF also called for liberalization of five key services sectors at the regional level, namely business and professional services, communications services, financial services, transport services and labour mobility (i.e. the entry of business persons).

TPFs often stress the importance of services for national development. The report on Angola offers a fine example of a TPF that deals in depth with services. It recommended that a national strategy plan be developed for the services sector, looking at how infrastructural services can be built through the channelling of public funding, public–private partnerships, regional cooperation and producer services. The TPF also had more specific recommendations with respect to the financial, energy, construction, tourism, transport and telecommunications sectors. Similarly, services figured prominently in the TPF for Zambia. It advocated a 4 plus 5 strategy that contemplates unilateral liberalization by way of WTO commitments on financial services, telecommunications, transport and energy services sectors, as well as regional liberalization of business and professional services, communication services, financial services, transport services and labour mobility in respect of the entry of business persons. The report on the Dominican Republic attributes significant improvement in infrastructure and telecommunications, financial, port and airport concession services to the incentives and special legislation aimed at promoting development through private participation (domestic or foreign). Small, open economies are highly services oriented, as the report of Jamaica noted, but are also significant net importers of those process services that are integral to value chain participation. That TPF argued that the country will need to intensify its efforts to attract external investment and strengthen its services capabilities outside of the very successful tourism and travel sector.

1. Financial services

The financial services sector may arguably be the most significant of all business-related services, insofar as it affects virtually all other sectors — both goods and services. Financial services are critical to the financing of new investments and individual transactions, and access to credit is a critical determinant of whether new ventures are profitable or even feasible. There are some developing countries that are leaders in this sector, such as Panama and Lebanon, but most others rely at least partly on the presence of foreign providers in this sector.

Regulation in the financial services sector is therefore a matter not merely of sectoral but of horizontal importance for developing countries, and one that merits close attention in a TPF. The report on Angola, for example, recommended with respect to financial services that the country adopt reforms to enhance the use of banking by the national population. The recommendation urged improvements in regulatory and institutional support for the national Law on Financial Institutions, and called on the Government to build a hub for credit risk information, increase the quantity and quality of human resources specialized in banking and develop a law on money laundering.

> [T]elecommunications, transport, energy and financial services … are a driving force in the economy. Their efficient organization will reduce unit costs and help lower the high cost of production in Zambia. They will also generate both increased merchandise and services exports.
>
> *Trade Policy Framework: Zambia (2016)*

2. Transportation and tourism

Like financial services, the transportation and tourism sectors have widespread effects on the economy as a whole. Efficient and affordable transportation is a critical element in determining the international competitiveness of a country's goods, just as tourism is linked with a wide cluster of goods- and services-producing sectors.

Panama offers a good example of a country that has benefited from the efficiency of its service providers in these sectors, and hopes to move from strength to strength. Services account for about 90 per cent of the total Panamanian exports, and are concentrated around canal-cluster activities, tourism, banking, telecommunications and other related activities. The persistent services trade surplus partly offsets that country's equally persistent deficit in merchandise trade. Panama had decided to double down on its commitment to trade in services, with the National Logistics Plan (PNLog) identifying the interoceanic area as an area of vital importance to logistics development. Nor are these aspirations unique to relatively high-income countries such as Panama. Namibia is positioning itself as a services hub in the SADC region, especially in transport services. Liberalization of these transport and tourism sectors, according to that country's TPF, enables Namibia to forge ahead with its trade and industrialization plans with minimal policy let or hindrance in the region.

Countries may nonetheless encounter difficulties in exploiting their potential for tourism. Officials can sometimes fall into the trap of believing that with respect to this sector "if you build it, they will come". The TPF for Algeria took a more realistic view, stressing that the development of touristic infrastructure is necessary but not sufficient. Similar logic may explain why this is one of the few services sectors in which most developing countries have made GATS commitments. "If you commit it", the hope may have been, "they will invest". An open trade and investment regime may be a necessary element for the attraction of foreign investment in tourism facilities, but it is not sufficient. The other elements include such diverse elements as the presence of attractions that range from museums and sports stadiums to beaches and ecotourist sites, efficient airports and cruise ship ports, frequent and affordable connections with major population centres and a reputation for preserving the physical safety of visitors from crime, political unrest, tropical diseases and gastrointestinal disorders. These are all factors that should be given just as much consideration as trade agreements and promotional campaigns when assessing how a country might tap more effectively into this potentially lucrative source of foreign exchange.

3. Movement of persons

Developing countries' prospects for each of the services sectors discussed above depend largely upon their own policy reforms and the foreign investment that they manage to attract. The situation is very different for what in WTO parlance is called Mode 4, meaning the movement of natural persons for the purpose of supplying services. This is an area where many developing countries have export interests, but their ability to take advantage of their advantages is heavily dependent upon the willingness of their partners — especially, but not exclusively, the developed countries — to relax the existing restrictions. If markets were fully open, developing countries would be well positioned to supply a wide range of services via Mode 4, from construction to medical services, but the immigration laws and regulatory schemes of the developed countries greatly inhibit this movement.

This is an issue explored in some TPFs. The Angola report observes that developing countries, and especially the least developed countries (LDCs), have indicated that Mode 4 represents one of the most important means of supplying services internationally. The report notes that these countries have requested that other WTO Members, to the extent possible and consistent with GATS article XIX, consider undertaking commitments to provide access in Mode 4, taking into account all categories of natural persons identified by LDCs in their group requests related to this mode of supply. In the absence of such commitments, whether they are provided in WTO or in RTAs, the export capacity of developing countries may continue to be inhibited.

IV

Trade negotiations and trade promotion

While trade negotiations are by no means the sole task of the trade ministry, they are typically its most visible function. Performing that function is more challenging now that the number of negotiating platforms has increased, the demands made on developing countries have deepened and the number of issues on the table has proliferated. A trade ministry may need to handle multiple negotiations at once. It must also follow up on the existing trade agreements, ensuring not only that they are properly implemented at home and abroad, but also pushing the country to take full advantage of the opportunities that these agreements create.

Negotiating trade agreements is only a first step towards taking full advantage of the potential opportunities in the external sector. It is equally important that a trade ministry follow through by working with national producers and prospective investors to identify and exploit market opportunities.

The nature of the global debate over trade and development has undergone major shifts in recent decades. Simple formulas such as the demand for special and differential treatment for developing countries, or the insistence of "trade, not aid" as the royal road to development, have given way to a more variegated range of approaches that countries take towards the liberalization of their own markets and the quest for preferential access to foreign markets. While some developing countries base their strategies on a major role for the State and hope to secure open access to developed country markets on a one-way basis, others give greater weight to the market and are willing to secure that access through the negotiation of two-way agreements. One of the key questions to be addressed in any TPF is which of these approaches — or some compromise between them — is the most appropriate means of mainstreaming trade into the country's development strategy.

A TPF should examine in depth a country's participation in existing trade agreements, both multilateral and regional, as well as the options for new negotiations. The descriptions and prescriptions should present an overall vision of the country's main objectives in its trade agreements and consider how the actual and potential agreements contribute to those aims.

A. MARKET ACCESS: PREFERENTIAL OR RECIPROCAL?

The first and most fundamental question that a developing country faces in devising its trade strategy concerns the terms on which it is prepared to secure improved access to other countries' markets. Does it seek to obtain preferential access in one direction, in which developed countries (and some developing countries, as well) grant open access to their markets without demanding concessions in return, or is it prepared to negotiate agreements in which it also opens its own market? This question is especially apt for middle-income countries, insofar as least developed countries are generally not expected to negotiate reciprocal agreements with their developed partners. Even for LDCs, however, the negotiation of reciprocal arrangements with their neighbours, either in the form of free trade agreements or customs unions, remains an option.

Whether or not they enter into RTAs, developing countries may place differing degrees of emphasis on discrimination as an element in their trade strategies. There are two issues here.

First, how important is it to obtain preferential access to major markets, and at what price? That discrimination includes not only the terms of the preferential access that they hope to obtain to the markets of developed countries, but also the preferences that they might give in return. The principal options are the non-reciprocal (one-way) preferences that developing countries enjoy via programmes such as the Generalized System of Preferences, or the reciprocal (two-way) preferences that they secure through the negotiation of RTAs.

The second issue concerns the value that a country will place on retaining any preferential access that it might enjoy. Will that country view initiatives to negotiate multilateral trade liberalization as another opportunity to improve its access to foreign markets, or will it instead see a threat to the margins of preference that it already enjoys under preferential programmes and agreements? The answer to that question has important systemic implications, as one of the most intractable problems in the Doha Round stems from the widespread concern on the part of poorer developing countries that any reductions in MFN tariffs achieved in the negotiations could, on balance, do them more harm than good.

The matrix in table 17 offers a simplified summary of the principal directions that have been taken in the trade relationships between developed and developing countries in the years since the founding of the multilateral trading system. In the first few decades of that system, which coincided with the period in which many African, Asian, and Caribbean countries won their independence from European countries, most developing countries remained either outside the GATT system or participated only nominally in multilateral negotiations, and any preferences that they received came solely from their former mother countries. In subsequent decades, the relationship evolved along with the introduction of one-way preferential programmes in the 1970s, the adoption of more pro-trade policies in the 1980s and the new wave of North–South RTAs starting in the 1990s. Each of those developments were general trends only, and in every period there have been some countries that deviated from the path that the majority took.

What distinguishes the present period from the past is that it is no longer possible to identify a single pattern that accounts for the majority of all developing countries. While some countries have enthusiastically pursued the initiatives that began in the 1990s, negotiating numerous RTAs with one another and with a diverse array of extraregional partners, others prefer the earlier pattern of non-reciprocal preferences. In neither case, however, can preferential access to the markets of the developed countries be expected to offer as much of a boost today at it did in past decades. Margins of preference have been eroded as a result of multilateral negotiations that reduced MFN tariffs and have also been diluted by the developed countries' proliferation of RTAs with many and varied partners. The potential value of preferences has been further undercut by Uruguay Round deals that phased out the quotas on apparel and outlawed the imposition of quotas under other forms such as voluntary restraint agreements.

The Sustainable Development Goals, like the Millennium Development Goals before them, call for the extension of duty-free and quota-free market access to imports from the least developed countries. Considerable

> Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda.
>
> Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.
>
> Realize timely implementation of duty-free and quota-free market access on a lasting basis for all least developed countries, consistent with World Trade Organization decisions, including by ensuring that preferential rules of origin applicable to imports from least developed countries are transparent and simple, and contribute to facilitating market access.
>
> Three of the 19 targets under Sustainable Development Goal 17:
>
> *Revitalize the Global Partnership for Sustainable Development*

Table 17. Principal themes in developing–developed country trade relationships

	Non-Preferential	Preferential
Non-reciprocal	1950s–1960s: Apart from post-colonial preferences (especially with the United Kingdom and France), developing countries enjoyed only MFN access to rich markets. Access was non-reciprocal insofar as developing countries were mostly outside GATT, unbound, and often restrictive.	1970s: Starting with the GSP and followed by regional preferences, developing countries acquire preferential access to industrialized markets. Trade policies generally remain restrictive and unbound, with countries either staying outside GATT or opting not to adopt its agreements.
Reciprocal	1980s: While still enjoying preferential access under the GSP and other programmes, more developing countries reciprocate by adhering to the Washington Consensus, adopting more open trade policies, acceding to GATT, and participating actively in the Uruguay Round.	1990s: Many developing countries opt to negotiate RTAs with industrialized countries, thus replacing the one-way concessions of the GSP and other preferential programmes with reciprocal, bound preferences.

progress has been made towards that goal in many import markets, primarily through programmes such as Everything But Arms in the European Union and the African Growth and Opportunity Act in the United States. Significant exceptions nonetheless exist, above all for textile and apparel products exported from some regions (especially Asia) to some markets (especially the United States).

B. MULTILATERAL, REGIONAL AND BILATERAL AGREEMENTS

This ever-larger number of bilateral, regional and plurilateral trade negotiations places a commensurately greater strain on the capacities of trade ministries in developing countries. It is not unusual for a single country today to be simultaneously engaged in three or more trade talks, including at least one in its own neighbourhood, one FTA negotiation with an extracontinental partner and the multilateral bargaining in WTO.

1. Multilateralism and regionalism

In principle, countries could differ greatly in the emphases that they place on regional and multilateral options in their trade strategies. In actual practice, however, countries that are either sceptical or enthusiastic about one form of commitment will tend to be similarly inclined towards the other. A generation ago there were still many developing countries that were neither contracting parties to GATT nor members of any RTAs, but the countries that meet this description today constitute a decidedly small and diminishing minority. And once countries negotiate either type of agreement, they tend to negotiate both.

The examples shown in table 18 illustrate the fact that there is no such thing as pure regionalism or multilateralism in any country's strategy. There are no countries left that are either (a) actively and exclusively engaged in RTAs (i.e. have many RTAs but are not members of WTO) or (b) actively and exclusively engaged in WTO (i.e. are high-activity WTO members that have no RTAs). Nearly all countries are members of WTO and have at least one RTA, and those with the largest number of agreements typically treat multilateral and regional negotiations as complementary rather than mutually exclusive options. Those countries that take a cautious approach to multilateral trade agreements tend also to be somewhat slower in the negotiation of RTAs, just as the most enthusiastic participants in the multilateral negotiations are also among the most prolific negotiators of RTAs.

Table 18. Exemplars of varying approaches to multilateralism and regionalism and level of activity in WTO

	Non-members	Members	High-activity members
Many RTAs	—	El Salvador, Israel, Jordan, Morocco, Nicaragua	Chile, Costa Rica, Republic of Korea, Mexico, Singapore, Turkey
Few RTAs	Iraq,a Iran (Islamic Republic of),[a] Uzbekistan[a]	Angola, Bolivia (Plurinational State of), Georgia, Ghana, Haiti, Kuwait	Argentina, Brazil, Ecuador
No RTAs	Eritrea, Somalia, Syrian Arab Republic[a]	—	—

Sources: WTO activity index from Craig VanGrasstek, "The Trade Strategies of Developing Countries: A Framework for Analysis and Preliminary Evidence" (2015). Data on RTAs are summarized from the WTO Regional Trade Agreements Information System at http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx.

Notes: Members: Countries with scores below 20 on the WTO activity index. This is an index comprised of data on the size of its representation in Geneva, the number of documents associated with it in WTO, and its participation in disputes. Scores range from a low of 1.8 to a high of 93.6.

High-activity members: Countries with scores above 20 on the WTO activity index.

Many RTAs: Countries that have RTAs in effect with at least two of the four largest economies (i.e. China, the European Union, Japan and the United States), and also with other partners on two or more continents.

Few RTAs: Countries with at least one RTA, but only with partners on their own continent and none with the four largest economies.

Neither the Global System of Trade Preferences nor partial scope agreements are counted here as RTAs.

[a] In the process of accession to WTO.

Consider the case of Panama, which had remained formally outside the multilateral trading system until it decided in 1991 to accede to GATT. That represented the beginning of an extensive process of modernization in the legal framework for foreign trade, with accession being complemented in the late 1990s by a policy of unilateral liberalization and then the negotiation of multiple RTAs. These have been treated not as mutually exclusive options, but as part of an "all-of-the-above" strategy. One can see a similar predilection for multiple negotiating forums on the part of certain other countries in both the Americas (e.g. Chile and Colombia) and Asia (e.g. the Republic of Korea and Singapore).

This is not to say that every country that negotiates one type of market-opening agreement will be irresistibly drawn to all others. Namibia offers a good example of a country that emphasizes the importance of regional integration, placing greater emphasis on closer relations with its regional partners than on multilateral initiatives. Nor is this entirely a matter of choice: Considering the difficulties not just of the Doha Round but other multilateral negotiations in the WTO, other countries may find that regionalism is their only viable option for the foreseeable future.

Trade agreements are not the sole determinant of the magnitude or direction of a country's trade. This point is underlined by the recent experience of the Dominican Republic, which concluded a string of new trade agreements in the first decade of this century. Exports to the markets of the countries with which it negotiated these agreements (including the United States, the European Union, Central America, Panama and CARICOM) represented more than 80 per cent of total exports made between 2000 and 2010, they accounted for a much smaller share of new exports in this period. Whereas during 2003–2013, the average annual growth rate for exports sent to these FTA partner countries was only 2 per cent, it was full 10 times higher for Dominican exports to those countries with which it had not signed such agreements (most notably Haiti, but also China, India, the Bolivarian Republic of Venezuela and Colombia).

2. Participation in WTO

One of the most important differences between the current trading system and its GATT predecessor is in the near universality of WTO membership. As late as the 1980s, many of the largest developing countries were still outside GATT. Following a wave of accessions in the concluding years of the old regime, and another set of accessions into the WTO, there are few countries left that are not either members or seeking to become members (box 4).

Box 4. Who is in WTO? And who is not?

The multilateral trading system started with just 23 GATT contracting parties in 1947, but grew to 128 by the time that GATT gave way WTO in 1995. Many more countries acceded to WTO over the next two decades, with the total number of members reaching 164 in 2016. WTO membership is so broad that it even encompasses some members that are not recognized as separate States in the United Nations, including one regional super State (i.e. the European Union) and three members that have special relations with the People's Republic of China (i.e. Hong Kong (China), Macao (China) and Taiwan Province of China).

Three kinds of countries that had been marginalized in the old GATT order now figure prominently among those that have recently joined WTO or that are still in the process of accession. Eleven of the 36 countries that joined from 1995 through 2016 were formerly part of the Soviet Union, and another 11 either had been or remained non-market economies; five of the countries still in the process of accession were likewise former Soviet or Yugoslav republics. Eight of the countries that acceded, and five of those still acceding, are formally designated by the United Nations as least developed countries (LDCs). Many net oil-exporting countries had stayed out of GATT, but they now account for three of those that acceded to WTO and seven of those still acceding.

As of early 2017, 19 countries – either developing countries or former Soviet republics (except for Andorra, Bosnia and Herzegovina, and Serbia) – were still in the process of accession. The largest of these is Ethiopia, with a population of just under 100 million. Six other countries still in accession have populations of at least 10 million persons each, including Algeria, the Islamic Republic of Iran, Iraq, the Sudan, the Syrian Arab Republic and Uzbekistan. The remaining countries still negotiating to enter WTO are Azerbaijan, the Bahamas, Belarus, Bhutan, Comoros, Equatorial Guinea, Lebanon, Libya, and Sao Tomé and Principe.

This leaves just 14 Members of the United Nations that have no relationship at all with WTO, being neither members nor in the process of accession. The largest is the Democratic People's Republic of Korea, with a population of 25.2 million. The only other countries in this group that had populations in excess of one million persons were Somalia, South-Sudan, Eritrea, Turkmenistan and Timor-Leste. The rest consist of very small States located either in Europe (i.e. Monaco and San Marino) or the Pacific (i.e. Kiribati, the Marshall Islands, Micronesia, Nauru, Palau and Tuvalu).

Algeria offers an example of a country that has found the process of WTO accession to be lengthy and difficult, with its negotiations beginning even before WTO came into being and now having lasted more than a quarter of a century. The elongation of the process is due in part to an ambivalence on the part of Algerian authorities over the costs and benefits that accession may have on the Algerian economy. Membership in WTO ensures integration into global value chains, according to the TPF, but does not in itself guarantee diversification and upgrading of exports. The TPF nevertheless concluded that staying out of WTO is not an option, as that would mean keeping the country exposed to the willingness of WTO member countries to extend reciprocity autonomously. The principal remaining question, as explored at length in that TPF, is whether Algeria ought to use WTO accession as a lever for diversification, or should instead diversify its economy before exposing itself more openly to multilateral trade rules.

Once a country has joined WTO, it must answer three more questions: Will it establish a permanent mission in Geneva, how will that mission be structured and how large will its staff be? Some countries maintain non-resident status and are represented only from the national capital or from some other mission in Europe, others establish a general-purpose mission dealing with all Geneva institutions, while still others will found (in addition to a general-purpose mission) a dedicated trade mission that is devoted solely to WTO affairs and other trade-related organizations headquartered in Geneva (especially UNCTAD and the World Intellectual Property Organization). As for the size of WTO missions, be they all-purpose of specific to trade, they might range anywhere from one to 20 persons.

The choice among these alternatives requires that a country balance its needs with its means. Maintaining a permanent mission in Geneva is a costly undertaking, as this is one of the world's priciest places to live and work. According to one survey, in 2016 it was the twenty-first most expensive city for the rental of office space. The average cost was $93 per square foot, which was well below the most exorbitant locations ($290 in Hong Kong (China) and $262 in London) but above the average price in New York ($86).[23] The disparities in the cost of living are even higher. One survey shows Geneva as the third-most expensive among 267 world cities; living in Geneva costs 1.3 times as much as living in Paris, 2.9 times more than Bogota and 3.3 times more than Cairo.[13] When the cost of office space, salaries and adjustment allowances for staff are combined, it is easy to see how the price tag for even a small permanent mission in Geneva can readily exceed $1 million per year.

Despite these costs, more countries opt to establish dedicated trade missions in the WTO era than they had in the GATT period. As of 1982 there were only four GATT contracting parties with dedicated missions, or just 5.3 per cent of all missions; these were run by an average of 4.8 persons. By 1997 this had grown to 20 dedicated WTO missions (19.2 per cent of the total) with an average of 6.9 staffers, and by 2012, the numbers rose to 39 such missions (28.7 per cent) with 7.6 people each. The numbers of persons in the average general-purpose mission also grew, nearly doubling from an average of 3.0 persons in 1982 to 5.8 in 2012. These numbers have continued to rise: As of 2014, the average developing country with a dedicated mission had a staff of 7.8 persons, compard with 6.6 persons for the average developing country with a general-purpose mission.[14]

At the other end of the spectrum are the members that have no mission at all in Geneva. Non-resident status hampers a country's ability to monitor and participate fully in negotiations and related activities conducted under the auspices of WTO, not to mention the other Geneva-based institutions. Non-residency was once a major problem, with many of the GATT contracting parties or WTO members being represented only intermittently from the capital city or from a mission based in Bonn, Brussels, or London. Non-residency peaked in 1997, when just over one fifth of members were non-resident, but then declined to 16 members (10.1 per cent) in 2014.

What accounts for the decision of some countries not to establish a Geneva mission? This choice is strongly associated with economic size, such that in 2014 the average GDP of a non-resident country ($2.6 billion) was far below that of the average developing country with either a general-purpose mission ($95.6 billion) or a dedicated trade mission ($679.9 billion). Relative income is less important, with the average gross domestic income per capita in a non-resident country ($5,427) being just a little less than that of the average country with a general-purpose mission ($5,737). Only 4 of the 16 non-resident members are LDCs, due to the fact that these countries are eligible for a Swiss subsidy that supports the establishment of WTO missions. Today the most typical non-resident member is a very small island State that is relatively poor but still above the income level of an LDC. These are generally countries that can afford to have only a handful of diplomatic missions anywhere in the world, and establishing one in Geneva might require that they either close another elsewhere or find more elasticity in a foreign ministry budget that may already be stretched thin.[15]

3. Regional trade arrangements

RTA negotiations have become the most dynamic part of the international trade system. They had once been limited primarily to South–South agreements (often taking the form of closed regionalism among countries that took a dim view of trade liberalization) or North–North agreements between neighbouring countries (especially in Europe and North America), but today these negotiations now take place in all conceivable configurations. They include North–North and South–South negotiations that reach across oceans, plurilateral negotiations with heterogeneous memberships and a great many North–South FTAs that are sometimes called trade promotion agreements (in the case of some FTAs of the United States with developing countries) or economic partnership agreements (for several FTAs that the European Union and Japan have reached with their respective partners in the developing world).

The kinds of agreement that countries have reached within their regions also differ in qualitative terms. Some countries have delegated considerable authority over policymaking to the customs unions or common markets in which they are members, others reach regional agreements that leave greater autonomy to the individual members, and still others either decline to join any such arrangements or limit themselves to associate memberships. The TPF for Namibia, for example, stresses the extent to which policymaking in SACU is dominated by the largest member of the group. "In practice," the report notes, "South Africa has always taken decisions on the tariff structure, and … largely continues to do so" (p.51). All of these choices affect the ability of countries to achieve an economy of scale in their representation, as well as the range of options that individual trade ministries have at their disposal.

At a time when the prospects for further multilateral progress seem bleak, the negotiation of RTAs with the major economic powers is perhaps the most consequential option available to a developing country. Some have few or no RTAs, others choose to negotiate them only with their immediate neighbours and still others negotiate many and varied agreements with developed and developing countries. The data reported in table 19 shows a close association between extraregional RTAs and income. On average, incomes are seven times higher in the countries that have RTAs with three or four large partners than they are in the countries with no such RTAs. It would, however, be far too great a stretch to suggest that these RTAs — all of which are relatively recent developments — are the cause of that difference. It may be plausibly argued that it is higher income that leads to RTAs, rather than RTAs that lead to higher income, insofar as the

Table 19. Relationship between extraregional trade agreements and Income (Average GDP per capita for non-oil developing countries)

	RTAs with no large partners	RTAs with one or two large partners	RTAs with three of four large partners
Africa	Income: $1 820 Number: 40	Income: $4 460 Countries: 10	Income: — Countries: 0
Americas	Income: $7 491 Countries: 6	Income: $8 527 Countries: 19	Income: $9 786 Countries: 4
Asia and the Pacific	Income: $3 647 Countries: 14	Income: $12 296 Countries: 17	Income: $40 055 Countries: 2
Total	Income: $2 813 Countries: 60	Income: $9 036 Countries: 46	Income: $19 876 Countries: 6

Sources: RTAs from WTO data at https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm; GDP per capita based on World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD.

Notes: RTAs with large partners = number of regional trade arrangements in effect at the start of 2016 with the four largest global economies (i.e. China, the European Union, Japan and the United States). Does not include partial scope agreements, nor agreements that have not yet been concluded, approved, or implemented.

countries with deeper pockets make more attractive negotiating partners for the larger players. The data nonetheless offer further evidence of a recurring theme: Countries tend to adopt more open policies as they move up the ladder of development.

The commitments that developing countries make in RTAs with the major economies are typically wider and deeper than those made in WTO. While the tariff cuts proposed in the Doha Round are unlikely to require many changes in the applied tariffs of most developing countries, an RTA will usually oblige them to eliminate most tariffs on imports from a partner country. Beyond tariffs, RTAs are often WTO-plus in either one of two senses: Some go beyond the commitments that countries have made in topics that are subject to WTO rules, and others provide for disciplines in areas that are not covered in the existing WTO agreements. Among the issues dealt with by RTAs with the European Union are trade facilitation, trade remedies, technical barriers to trade, sanitary and phytosanitary measures, establishment, electronic commerce, the regulatory framework, protection of biodiversity and traditional knowledge, geographical indications, agricultural safeguards and government procurement. The issue coverage of the FTAs negotiated by the United States is even wider, often including separate chapters on the politically sensitive topics of labour rights and environmental protection. These are all topics with important implications for countries' development strategies, and policymakers need to weigh their interests and their options carefully before deciding whether they are ready to make binding and enforceable commitments on these matters.

North–South RTAs are, of course, not the only option available to developing countries. South–South agreements are also in vogue. One example is the Pacific Alliance in Latin America, in which Chile, Colombia, Mexico and Peru promote deeper integration and invite the participation of more parties. African countries are actively negotiating both the Tripartite Free Trade Area (a proposed free trade agreement between the Common Market for Eastern and Southern Africa, the Southern African Development Community, and the East African Community), and the Continental Free Trade Area. These South–South agreements have historically faced two difficulties: National leaders often appear more committed to such agreements in principle than they are in detail, thus leading to elongated negotiations and incomplete agreements, and even when these agreements are concluded, they do not always stimulate trade as much as the leadership had hoped. These difficulties are recurring themes in several of the TPFs. There has nonetheless been a resurgence of interest in concluding such agreements, and in making them work. They ought therefore to be the focus of special attention in TPFs.

C. IMPLEMENTATION AND ENFORCEMENT OF TRADE AGREEMENTS

The negotiation of trade agreements represents only the most visible part of a trade ministry's responsibilities. Agreements also need to be approved and executed, the opportunities that they create must be exploited through promotion, and — if one or more countries believes that its partners are not fully living up to the terms — these agreements must be enforced by way of the dispute-settlement rules. The process of approval is not dealt with here, as the constitutional rules and political traditions of countries differ greatly on this point. In some countries the approval of trade agreements and other treaties is little more than a formality, while in others the legislative branch may show little deference to the executive.

The expanding scope of trade policy has complicated the task of determining whether a partner's laws, or even one's own, comply with all of the obligations of the system. Back when tariff measures comprised the great bulk of trade instruments, implementation and compliance meant little more than ensuring that a country's applied tariffs did not exceed the bound rates, and that the rules of non-discrimination (most favoured nation treatment and national treatment) were not violated. Today it is quite possible for the policymakers in some other ministry to be entirely unaware that a new law or regulation that they are about to enact may clash with the obligations undertaken in one of the more technically complex WTO agreements or FTA chapters. The commitments that countries make on such topics as services, subsidies and technical barriers to trade may be especially susceptible to unintentional violation through the adoption of new laws and policies. Both to defend their rights and to avoid being brought before the WTO Dispute Settlement Body, countries need to keep abreast of any such developments at home or abroad. They also need to be prepared, if necessary, to defend their laws before the Dispute Settlement Body.

The trade ministry should take the lead in ensuring that the country is in compliance with its commitments. A TPF can help in that regard by reviewing the existing commitments and determining whether there is adequate awareness of them in other line ministries. Some countries have in place a formal process by which proposed laws and regulations are reviewed for their WTO consistency. A country also needs to ensure that its partners in trade agreements — both multilateral and regional — abide by their commitments. As summarized in box 5, there are some centralized sources of information that may be monitored.

If a country determines that one of its partners does not comply with a commitment and considers that this non-compliance prejudices its trade interests, it does have recourse to action. This includes both soft enforcement and hard enforcement.

1. Soft enforcement: Transparency, notifications and trade policy reviews

Concerns over non-compliant measures do not always require that countries resort to the hard option of a formal dispute. There are other, softer forms of enforcement that are intended to promote compliance. These include norms and rules of transparency, the requirement that countries notify their measures, and the conduct of trade policy reviews.

Transparency was a well-established principle in the trading system long before the advent of WTO. GATT article X provides that "[l]aws, regulations, judicial decisions and administrative rulings of general application" on matters related to trade "shall be published promptly in such a manner as to enable governments and traders to become acquainted with

Box 5. Sources of information on compliance and non-tariff barriers

Countries may take advantage of several programmes and databases in order to monitor the compliance of their partners with the commitments made in trade agreements.

The trade policy reviews (TPRs) conducted by WTO, as discussed elsewhere in this manual, provide regular examinations of members' trade regimes and sometimes identify laws or policies that may not be consistent with a country's commitments. The TPR rules explicitly prohibit countries from citing these reports as the basis of a formal complaint in the WTO's Dispute Settlement Body, but any non-compliant measures that are identified in a TPR could certainly be verified through some other source. Another WTO resource is the Integrated Trade Intelligence Portal (I-TIP), which gathers the data generated in members' notifications to the WTO and through other sources to provide practical information on a wide range of issues affecting specific products and sectors.

UNCTAD offers the database on NTMs developed in collaboration with the African Development Bank, ITC and World Bank, as well as ALADI, ERIA and the WTO secretariat. It provides a global information dataset on NTMs used by more than 60 countries, representing more than 80 per cent of global trade. All the trade-related regulations, including the SPS and TBT areas, are collected and classified in a systematic and coherent database. The NTMs database is disseminated through WITS/World Bank, UNCTAD-iTIP and ITC dissemination systems.

The World Bank hosts two specialized databases that catalogue the restrictions that countries impose. The Temporary Trade Barriers Database offers detailed information on more than 30 Governments' use of antidumping duties, countervailing duties and safeguards. The Services Trade Restrictions Database provides information on services measures for 103 countries in five sectors (telecommunications, finance, transportation, retail and professional services) and by modes of delivery.

Several other databases on NTBs are available on a national or regional basis. Examples include the following:

- The Association of Southeast Asian Nations has a non-tariff measures database that allows users to download files on its members' measures.
- The European Union maintains a market access database of other countries' NTMs that can be either browsed or searched.
- The regional economic communities of Africa sponsor a mechanism for reporting, monitoring and eliminating non-tariff barriers that allows users to register complaints, seek to resolve them, and browse details and summary statistics of the NTBs that others have reported to the system.

The global financial crisis of 2008–2009, which could have led to a new wave of protectionism, inspired the creation of the Global Trade Alert (GTA). This is an independent project that catalogues all new measures adopted by any country that affect trade, classifying them as protectionist, market opening, or neutral. The GTA measures can be browsed or searched by several different criteria, and users may also register to receive alerts for any new measures affecting specific countries or sectors.

them" . Other GATT articles supplemented this general principle of transparency and publication by requiring the notification of certain types of measures. The scope of notifications expanded with the agreements negotiated in later rounds, as well as with the horizontal requirements set by the Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance. Today there are more than 200 provisions in WTO agreements requiring notifications, most of which are related to non-tariff measures.

A notification will typically consist of a short statement that follows a standard format in which the member identifies the law, regulation, action, etc., that is at issue, the precise content of which varies according to the agreement and topic involved. These documents are routinely filed and made available on the WTO website to other members and the public. Specific agreements may also require that members take other steps to promote transparency. The agreement dealing with sanitary and phytosanitary (SPS) measures, for example, not only obliges members to publish all SPS measures and notify changes that are made to them, but further requires that they identify a single central government authority responsible for the notification requirements (i.e. the national notification authority) and establish a national enquiry point responsible for answering questions from other members about SPS measures and related issues.

Compliance with notification requirements is uneven. Most developed countries appear to file most of the required notifications most of the time, and the same can be said for some of the developing countries, but many of the poorer and smaller developing countries struggle to meet this obligation. A single example suffices to illustrate the problem. The Agreement on Subsidies and Countervailing Measures requires that members make a subsidy notification no later than 30 June of each year, whether or not they employed any subsidies. In 1995, when there were 112 WTO members, 56 of them notified subsidies and 27 made a nil notification of no subsidies; that left 29 members (25.9 per cent) that failed to meet the obligation to notify. The rate of non-compliance rose steadily thereafter, to the point where in 2015 there were 106 members (65.4 per cent of the total) that had failed to make the mandatory notification.[16] This failure to comply with a notification requirement is by no means the most serious problem that the multilateral system faces; yet it is symptomatic of a declining commitment to abide by the norms of that system.

Members and the WTO secretariat have addressed the problem of incomplete notifications from two directions. One approach views the number and complexity of the requirements as the root of the problem, with developing countries proposing that the burden be reduced and the procedures simplified. These concerns led to such steps as the publication of the Procedural Step-by-Step Manual for SPS National Notification Authorities and SPS National Enquiry Points, a guidebook with detailed instructions. Some WTO committees have also worked to simplify procedures for the notifications that fall within their purview. The other response has been for the secretariat to provide greater assistance to developing countries in complying with these obligations. This is, together with accessions and scheduling, one of the highest priorities in the technical assistance that the secretariat offers to members.

The WTO's Trade Policy Review Mechanism is another and more thorough form of soft enforcement. It provides for regular diagnostics of all members' trade policies, with members being subject to a review once every two, four or six years (depending on their weight in global trade). The results of these reviews can help a country to identify areas where its own laws and policies may need to be brought into compliance, and also — although explicitly not intended to serve as a basis for the enforcement under the dispute-settlement procedures — to determine whether its trading partners are living up to their obligations. This process and its relationship to TPFs are taken up in part VI of this manual.

2. Hard enforcement: Dispute settlement

WTO and other trade forums serve not only as sites for the negotiation of agreements, but also for the adjudication of disputes that arise over their implementation and interpretation. While all WTO members have access to the Dispute Settlement Body, not all of them either bring complaints to this body or are subject to complaints from their partners. The great majority of the cases brought to the Dispute Settlement Body involve developed countries, the larger developing countries, or both.

The data in table 20 summarize the level of developing countries' involvement in WTO dispute settlement through mid-2016. There are eight developing countries with extensive participation in cases, having each engaged in at least 10 cases as a complainant and another 10 or more as a respondent. These are mostly large, middle-income Asian and Latin American countries. Fourteen other developing countries have been a complainant at least once and a respondent at least once. Another 10 have been complainants but not respondents, and 3 have been respondents but not complainants. That makes 45 developing countries altogether that have had at least some direct experience in the Dispute Settlement Body, accounting for about one third of all developing country members of WTO. Many of the others have been third parties to one or more disputes, often with the simple aim of learning how the process works, but have otherwise had no exposure to it.

It is worth noting that the patterns of participation in dispute-settlement cases are generally comparable to those observed before with respect to the antidumping cases (table 13). This is not entirely coincidental, considering the fact that a great many cases concern measures that a member has taken under the antidumping laws. Those countries that either impose the most antidumping orders, or are subject to most orders, are the same ones that most frequently find themselves either defending or challenging these orders in the Dispute Settlement Body.

Developing countries face several practical barriers to their effective participation in the dispute-settlement system. The greatest of these is the need for expertise in the law and process of WTO disputes, a field of knowledge and practice that some developing countries have cultivated (notably in China and in Latin America) but that is lacking in most others. This is a lacuna that can be filled by hiring lawyers that specialize in this practice, but their services do not come cheaply. Another concern is that the aim of the system is not development but legal compliance. Participation in the dispute-settlement system may also be affected by cultural considerations. There are some cultures that view the legal resolution of disputes as a welcome alternative to reliance on power politics, and where the pursuit of a person's legal rights is not seen as an act of aggression. Others tend to see disputes as unfriendly proceedings that are undesirable because one of the parties is bound to lose face. Developing countries that inherited their legal systems from England, Portugal, or Spain appear to be more comfortable with litigation than are those

Table 20. Number of WTO disputes involving developing countries, 1995–2016

		No cases	1 case	2–9 cases	10 or more cases
Complainant in	10 or more cases	—	—	—	Argentina, Brazil, China, Chile, India, Indonesia, Republic of Korea, Mexico
	2–9 cases	Egypt, South Africa	Dominican Republic, Nicaragua, Venezuela (Bolivarian Republic of)	Colombia, Ecuador, Guatemala, Pakistan, Peru Philippines, Turkey	Thailand
Respondent in	1 case	Trinidad and Tobago	Malaysia, Uruguay	Panama	—
	No cases	All other developing countries	Antigua and Barbuda, Bangladesh, Cuba, Hong Kong (China), Singapore, Sri Lanka	Costa Rica, Honduras, Taiwan Province of China, Viet Nam	—

Source: WTO data at https://www.wto.org/english/tratop_e/dispu_e/dispu_by_country_e.htm.

Notes: Data are through July, 2016; does not include data on countries' participation as third parties. Data refer to cases in which the member was either a complainant or a respondent.

countries where legal systems were either inherited from France or are primarily based on indigenous legal traditions. These differing perspectives may go a long way towards explaining why even relatively small Latin American countries such as Ecuador and Honduras have brought multiple cases to the Dispute Settlement Body, but to date no sub-Saharan African country has been a complainant in a single WTO dispute. Most Asian countries show a similar reticence, but that is not an absolute rule.

There are steps that countries can take to enhance their capabilities in this area. One simple and inexpensive way to build capacity is to follow the advice that countries are often given to participate as third parties in disputes between other countries. A WTO member need not have a direct interest in a case, or play an active role in its adjudication, in order to participate as a third party. Other members recognize that this is one means by which diplomats from developing countries learn the ropes of the dispute-settlement system.

Developing countries can also receive help from the Advisory Centre on WTO Law (ACWL), an institution that renders legal assistance in dispute-settlement cases. Membership dues and fees for ACWL services are assessed according to a sliding scale. Among the services offered are legal advice on WTO law, support in WTO dispute-settlement proceedings, seminars and internships. The ACWL's role in most cases is to assist the complainant country rather than the respondent. ACWL's legal opinions may also help developing countries in the conduct of trade negotiations. Among the issues on which ACWL has helped countries to understand their rights and obligations include such diverse matters as tax rates, balance-of-payment concerns, import and export restrictions, renegotiation of tariff commitments, national security exceptions, intellectual property rights, trade-remedy laws, technical regulations or standards affecting the sale of goods, and legal issues relating to trade in services. ACWL also provides capacity-building assistance through training courses, seminars and workshops, and runs a secondment programme for trade lawyers through which government lawyers from developing country members and LDCs join its staff as paid trainees for a nine-month term.

No amount of technical assistance can change the fact that the smaller developing countries have less leverage in the event that a case comes down to retaliation. The magnitude of retaliatory measures that are permitted to be imposed is determined more by the size of the complaining country than by the size of the respondent, meaning that the dynamics in a small country versus large country case are very different than those in which two large countries are involved. Antigua and Barbuda managed to win a ruling that United States restrictions on Internet gambling violated that country's GATS commitments, for example, but the retaliation that this small member was authorized to impose on the United States had little impact on Washington. By contrast, when Brazil won a ruling that the United States had violated its commitments not to subsidize cotton the retaliatory power given to Brazil was much more persuasive. The Cotton Four African countries did not have the same leverage as Brazil, which is one reason why they chose to negotiate on that same topic when Brazil had opted to litigate.

D. TRADE AND INVESTMENT PROMOTION

Trade strategies often place greater stress on trade promotion than on negotiations, focusing on the ways that a country can take advantage of the opportunities created by the agreements that have already been reached. This practice is especially prevalent for poorer countries in which supply-side constraints are often greater than barriers on the demand side, and for units of government that do not have responsibility for trade negotiations. A TPF should examine and assess the promotion programmes that a country currently has in place, including any evidence that quantifies the actual trade and investment that these programmes may have stimulated, and consider whether any changes might be appropriate.

> Adopt and implement investment promotion regimes for least developed countries.
>
> One of the 19 targets under Sustainable Development Goal 17:
>
> *Revitalize the Global Partnership for Sustainable Development*
>
> 17 PARTNERSHIPS FOR THE GOALS

The TPF should investigate whether the country's embassies and other missions abroad provide adequate assistance. Some governments take a very active role in the promotion of trade and investment, and have the resources to deploy diplomats and other staff that deal separately with economic and commercial matters. They may divide their staff into sectoral topics (e.g. agricultural attaches) so as to assist specific constituencies. Others require that one or two officials take on a variety of duties. The trade and investment promotional offices will sometimes be housed in an embassy, or may be both physically and legally separate from it. Whatever the structure may be, these offices act to promote the country's exports and to attract foreign investment through a variety of activities, including participation in trade fairs and other promotional events, developing market leads that are publicized at home, providing briefings and other advisory services to domestic and international businesses, and liaison with the host government on economic and commercial matters.

The TPF for Panama called for a comprehensive, innovative, and coherent marketing strategy to support the exports that contribute more to development goals. That may entail participation in such export-promotion initiatives as fairs, business roundtables, road shows, and direct business contacts between exporters and potential clients. Market intelligence is also critical to provide the necessary guidance to the private sector about opportunities in foreign markets.

> A strong investment promotion agency … should be empowered to drive the process in government. Not only would it require technical capacity to understand the [global value chains] and [multinational corporations] being targeted, but it would also require strong political support within government to overcome the inevitable political and bureaucratic hurdles that will arise in the process of negotiating with lead [multinational corporations].
>
> *Trade Policy Framework: Namibia (2016)*

Consideration should be given to the roles of both the public and the private sector. In some countries the private sector takes charge of these programmes, either solely or in collaboration with the government, of the trade and investment promotion agency. In Costa Rica, for example, the Foreign Trade Promotion Agency (PROCOMER) is a non-state public entity responsible for promoting exports, administering the free zone regime, and promoting supply linkages between local and multinational businesses. Similarly, the Costa Rican Coalition for Development Initiatives (CINDE) is a private organization that promotes domestic and foreign investment, monitors businesses and markets, and provides direct services to investors.

V

Trade policymaking institutions

If the typical observer were asked what a trade ministry does, the most likely answer would be a single word: negotiations. While that answer is partly true, it is misleading on two points. One is that it severely conflates a multifaceted series of actions that need to be taken before, during, and after the actual negotiations with foreign counterparts; negotiations require careful preparation and detailed follow-through. The other problem with this answer is that it implies that the sole functions of the trade ministry are externally oriented. The removal of domestic constraints to trade is as important as the elimination of foreign barriers, and a trade ministry's domestic diplomacy with its domestic partners inside and outside of government are no less important than its bargaining with foreign counterparts.

The analysis that follows is based on the premise that trade policymaking, like charity, begins at home. That is true even of trade negotiations with foreign partners, which might best be perceived as a two-stage and a two-level game. The stages are divided between preparation and negotiation, and the levels are the domestic and the international processes. Understanding the two stages of negotiation means devoting at least as much energy to the preparation for bargaining as one does to the execution of this task, and understanding the two levels of negotiation means recognizing that the trade ministry's domestic operations are at least as important as its dealings with its foreign counterparts.

It is important to note at the outset that the creation of institutions is not merely a prerequisite to development, but is in a real sense the very essence of development. It would be a mistake to see development solely as an economic process, and one that can be measured through such simple metrics as growth rates or income levels. It is instead a multifaceted process that has important political and social dimensions. These include stable environments, well-functioning institutions, and the rule of law. A TPF should describe the existing institutions of government, especially those involved in the making of trade policy, and consider whether any reforms are warranted. The recommendations need not entail a complete revamping of ministerial responsibilities, but it would be a rare country indeed where improvements could not be made in the frequency and quality of the consultations conducted within government and between the public and private sectors.

A. JURISDICTION AND RESOURCES OF A LEAD MINISTRY

How should a trade ministry be organized? That question can be broken down into several smaller ones, starting with which government agency should take the lead in this field. These are issues for which it is difficult to offer a definitive list of universally best practices, as the differing arrangements that countries make will vary greatly according to their constitutional requirements, political traditions and economic resources. In this section we venture only to identify the range of distinct experiences, commenting on the advantages and disadvantages of different approaches.

1. Which ministry should lead on trade?

Trade policy is conducted at the busy intersection of development policy, foreign policy, and fiscal policy, and it occasionally reaches junctures with other areas such as social and environmental policy. There are many different ways that a country might choose to reconcile the often-competing demands of the ministries that are tasked with making and executing policy in these distinct areas.

The most traditional division of labour assigns the negotiation of trade agreements to the ministry of foreign affairs, on the rationale that trade policy is one dimension of foreign policy and the negotiation of treaties is best left to diplomats. The advantages of housing this responsibility in the ministry of foreign affairs include greater coherence between foreign and economic policy, a lower probability of capture by domestic interests, and a greater likelihood that the country will efficiently use its worldwide network of embassies, missions, and consulates. These outposts can provide invaluable economic information, political intelligence, and logistical support for trade negotiators. This organizational model may also be attractive to countries that aspire to treat trade as an instrument of foreign policy, whether that means negotiating trade agreements with friendly countries or directing sanctions at others.

There are also disadvantages to this approach. A ministry of foreign affairs may place other diplomatic or security objectives ahead of trade goals in the hierarchy of objectives. This is precisely why the United

States Congress removed authority over trade policy from the State Department in 1962, for example, and transferred the portfolio to the predecessor agency to the Office of United States Trade Representative (USTR). Colombia and Costa Rica are among the other countries that have adopted similar decisions. Another problem with housing trade policy in the foreign ministry is that career diplomats who are trained to be generalists do not necessarily have the specialized, technical knowledge required in modern trade policymaking. When trade negotiations were mainly about reducing or eliminating tariffs a diplomat could, with the appropriate instruction, learn the essentials in fairly short order. The same cannot be said for today's more complex issues such as financial and telecommunications services, investment, intellectual property rights, and sanitary and phytosanitary measures, each of which require that policymakers develop deeper and wider expertise. This problem has been solved in some countries by integrating foreign and trade ministries into a single ministry. That approach is common to certain developed countries (e.g. in Australia, Canada, and New Zealand) as well as developing countries (e.g. Brunei, Jamaica, and Kenya).

In recognition of the potential shortcomings of this most traditional model, three other variants have been tried:

- A ministry of trade and industry may take the lead. This model has the advantage of integrating both industrial and trade policies into a single framework.
- Trade policy may be the responsibility of the ministry of economy (sometimes called the ministry of development), thus acknowledging the link between modern trade policy and a wider range of objectives such as the promotion of employment, diversification, and inclusive growth.
- A third model is cantered on a dedicated trade institution. Two versions of this approach include the special case of the United States, where negotiating is almost all that the USTR does, and the more typical arrangement in which trade ministries have a broader set of trade-related responsibilities such as trade and investment promotion.

Not all trade ministries will fit neatly into one of these categories. Some of them bear titles that suggest a diverse range of responsibilities, such as the Ministry of Industry, Trade and Labour (Israel) or the Ministry of Commerce and Supplies (Nepal). The long list of responsibilities that may be assigned to the trade ministry can lead to equally lengthy titles, as in the case of the Ministry of Trade, Investment Promotion, Private Sector Development and Consumer Protection (Belize), and the Ministry of Trade, Industry, Private Sector Development and Presidential Special Initiatives (Ghana).

Whichever ministry is given the lead, three cardinal rules should be followed. First, all other ministries and agencies dealing with the large and expanding subject matter of trade policy need to be consulted regularly in any initiative affecting the topics within their jurisdiction. Second, governments should resist the temptation to reassign this topic from one agency to another whenever there is a shift in national policy. Those changes, even when well intentioned, can disrupt the work of the officials assigned to deal with trade. Third, any officials with responsibilities for this area of public policy — whether they are part of the lead ministry or in other government agencies — should be given the tools and training they need to carry out their assigned tasks correctly and efficiently. That is the topic to which we now turn.

2. Staffing and capacity

Trade ministries differ not just in shape but in size. The complement of personnel may range from fewer than a dozen persons in the smallest countries to hundreds of them in the largest. One might naturally suppose that, all other things being equal, a government agency's ability to achieve its goals will rise with the size of its staff. All things are not equal, however, and the preparation of the officials in a ministry is ultimately more important than their sheer numbers. A small group of well-trained and motivated officials have a much better chance of achieving their aims than a large body of people who lack the necessary skills and direction. It should also be acknowledged that the number of personnel assigned to a trade ministry, or indeed to any other governmental institution, will not be determined solely by that agency's needs. All governments, whether developed or developing, operate under budgetary restrictions and civil service procedures that cannot be easily overcome, and will usually need to be treated as immutable in the short term.

What sort of person should a trade ministry hire? One great irony of the trading system is that the best policy professionals are willing and able to violate regularly the system's central premise. Adam Smith argued that specialization determines productivity in an enterprise, and if we were to apply this same division-of-labour logic to government we might propose a strict separation between the economists, lawyers, and other specialists who become public servants. That would be a distinctly bad idea in the field of trade policy, however, where the ideal policymaker is a "jack of all trades" whose perspectives are not limited by the title displayed on a diploma. A trade ministry should ideally be staffed by professionals from a variety of fields, but all of them should be encouraged to acquire a working knowledge of subjects outside their chief areas of expertise. It is just as important for an economist to understand the basics of trade law as it is for a lawyer to understand the laws of supply and demand, and people in both of these professions have much to learn from — and to share with — the political scientists, area specialists, information-management experts, or others who draw their pay from the trade ministry.

That ideal is difficult to attain, as many trade ministries in developing countries must deal with serious capacity problems. This is especially true in smaller countries with commensurately small ministries, where it is not uncommon for the majority of the staff to be recent college graduates who have as yet spent little time outside of the classroom. Some among them may accept government positions because they are the only jobs in the capital city that require education but not experience, and they may plan to leave for better-paying positions in the private sector as soon as they have accumulated the necessary amount of training, skills, and contacts. This can create a cycle of frequent turnover, robbing the ministry of the knowledge, networks, and institutional memory that are so important to effective policymaking.

The obvious answers to this problem are to increase staff salaries and to expand capacity through training and retention, but those solutions may be beyond the budgetary limits within which ministries must operate. They may also run into a well-known dilemma in capacity-building by which the efforts put into the upgrading of personnel will increase their potential value to another employer (public or private, domestic or international), thus accelerating the brain drain. Donors often solve this problem by requiring that the recipient of any training pledge to remain in government service for some minimal term as a prerequisite for receiving this support. Another difficulty is that, in the view of some critics, capacity-building programmes can sometimes be built more around the interests of the donors than the recipients.

There are means by which trade ministries can enhance their human resources at minimal budgetary cost. Some donors will support the hiring of trade advisors for ministries, drawing upon consultants who may themselves be former officials in national governments or international organizations. Similarly, some countries and international organizations sponsor programmes by which officials from one country may be seconded to others on temporary assignments. Resources are also available for the outsourcing of specific tasks to international organizations or the consultants that they may hire. All of these alternatives are best seen as stop-gap measures, as it is in the best interests of a ministry to develop and retain the in-house capacities and to foster the institutional memory needed over the long term.

A TPF should provide an assessment of the capacity deficits that may exist in the trade ministry and other government agencies that deal with trade, and make recommendations on how any skills gaps at might be closed. The trade ministry should take advantage of the training and other technical assistance programmes made available by international organizations and educational institutions (box 6).

B. NEED FOR INTERNAL COORDINATION AND CONSULTATION

While the activities most typically associated with the trade ministry concern relations with its foreign counterparts, the day-to-day operations of that ministry will more typically involve domestic consultations. Properly conceived, the most important function of the trade ministry in a developing country is to ensure that country's trade instruments — including its international agreements and domestic laws — serve the broader interest of promoting national development. The trade ministry is also tasked with ensuring that the other laws and agreements of the country are consistent with the legal obligations that it has undertaken in WTO and other agreements. Taken together, these functions constitute the domestic diplomacy of trade policymaking. In order to act effectively as the country's agent abroad, the ministry must be intimately engaged in policymaking at home.

That domestic diplomacy requires that the ministry in charge of this topic coordinate closely with other government agencies, and consult fully with representatives of civil society. That is necessary not

Box 6. Capacity-building programmes for trade officials

Numerous programmes are available to help trade ministries and other government agencies overcome their skills deficits. Some of these are hosted (and often paid for) by international organizations, while others are offered by universities on either a degree or a non-degree basis.

The choice of which type of programme to pursue, and where to pursue it, depends in part on how much time and money a ministry or its employees can afford to invest. While tuition and other costs for some university programmes can be high, assistance may be available from development banks and other donors; further information can be had from the WTO's Global Trade-Related Technical Assistance Database. For those already in government, the most significant expense may be the opportunity cost of time spent out of the office. The investment should nevertheless pay off if programmes impart the needed skills. Expenses can also be reduced by using the online training modules that WTO increasingly favours over face-to-face courses.

UNCTAD provides toolbox on trade-related capacity building support and training for trade negotiators and policymakers from developing countries on Trade Policy Frameworks, multilateral and regional trade negotiations including WTO accession, and services development and trade, including Services Policy Reviews (SPRs). Of particular note is UNCTAD's toolkit on services, combining analytical studies on all aspects of services including services sector development and structural transformation, Service Policy Reviews, Multi-year Expert Meeting on Trade Services and Development and the Global Services Forum. Through SPRs, UNCTAD supports policymakers in assessing the potential of services capacities as well as various options for policy, regulatory and institutional frameworks, the findings of which could be fed into national policymaking and international trade negotiating process. Trade Policy Framework supported national trade policy stakeholders in raising awareness and building their understanding on the contribution of trade to sustainable development and the formulation of Sustainable Development Goal-oriented trade policy frameworks.

Training is also available from universities, where programmes can last anywhere from days to years. At one extreme are the masters or even doctoral programmes in public policy that allow students to specialize in trade and related fields. The Paris School of International Affairs and Sciences Po, for example, jointly administer a Master's in International Economic Policy programme. Some universities have specialized, one-year programmes that grant interdisciplinary master's degrees in this field, such as: The International Economic Law and Policy (IELPO) programme at the University of Barcelona; The Shridath Ramphal Centre for International Trade Law, Policy and Services, University of the West Indies; and, The University of Bern's World Trade Institute has a programme.

Some universities have much shorter executive education programmes that are built around the needs of busy professionals. The Harvard Kennedy School's course entitled Mastering Trade Policy compresses a semester of economics, law, and negotiations theory into 10 intensive days. Other schools with non-degree programmes on trade and related topics include the College of Europe, the Johns Hopkins School of Advanced International Studies, the London School of Economics, and the Monterey Institute of International Studies. Some schools also offer specialized courses to be delivered either on-site or at the university's home campus.

merely to ensure that trade policy *per se* is effective, but also to make it consonant with the broader development goals of the country. While trade and development goals are not in direct conflict, reconciling their sometimes-divergent objectives can raise difficult questions of priorities and coherence.

The expanding subject matter of trade policy multiplies the risk that officials in different areas of public policy might work at cross purposes. In the absence of a cooperative and collegial approach among all ministries with an interest in trade-related matters, negotiators will not have the information they need to reach agreements with their foreign counterparts, nor can they be certain of receiving the political support necessary to approve and implement these agreements at home. In this age of deeper integration and wider commitments, there is also greater jeopardy that a ministry with jurisdiction over some trade-related topic (broadly defined) may unknowingly take action that violates a pledge the country has made to its partners in WTO or some other trade agreement.

Active and effective trade policymaking depends critically upon consultation between the government and the private sector, and between the many different governmental bodies that are either directly or indirectly involved in making and executing trade policy (box 7). These consultations must take place in both directions, such that trade and non-trade people speak to one another about how trade initiatives affect other areas of public policy and *vice versa*. Consultation is not a one-off proposition, but must instead be done regularly before negotiations commence (when researching the

Box 7. Consultative mechanisms in developing countries: Examples from TPFs

"A well-articulated trade policy with buy-in from the trade policy community has higher probabilities of providing effective guidance for applying a holistic and coordinated approach to trade policy formulation, negotiations, implementation, monitoring and reporting, " according to the TPF for Rwanda (p.4). "In a situation where each individual ministry dealing with some elements of trade has often done things disparately," according to the report, "it has not been easy to fashion and implement a coherent 'one-shop trade policy'." That TPF likened the role of the MTI not to an isolated ship, but instead to a "tugboat pulling the barge" that carries all other relevant ministries and stakeholders. It recommended that a Trade Development Board be set up "at the senior policymaking level to serve as the governing and coordinating mechanism under which inclusive decision-making would take place to formulate, adjust and implement the development-oriented trade policy" (p.57).

Other TPFs highlight the importance of consultative bodies in their respective countries, such as the following:

- In 2004 Algeria created the Conseil National Consultatif pour la Promotion des Exportations, which is supposed to be chaired by the head of government, but the institution has yet to be installed. The TPF also observed that in 2013 a Doing Business Committee was set up, but questioned its capacity to coordinate interministerial action. It proposed creation of a higher-level structure with greater legal powers to enact reforms.
- Botswana has both a High Level Consultative Council (HLCC) to manage the partnership between government, the private sector, and civil society, as well as a National Committee on Trade Policy Negotiations (NCTPN). The HLCC includes all cabinet ministers and industrial stakeholders, while the NCTPN has a wider membership as well as a network of technical committees. The government also established a National Doing Business Committee to improve the country's standing in that World Bank index. The assessment report observed that the linkages between these bodies are "unclear and require further investigation" so as to avoid duplicative efforts (p.44).
- The Jamaica Trade and Adjustment Team (JTAT) dates from 2001, and provides for consultations and coordination between the public and private sectors. Its membership includes the trade-related ministries of government, representatives of four business organizations, trade unions, civil society groups, and academia.
- Zambia has a National Working Group on Trade (NWGT) consisting of representatives from other government agencies and stakeholders from the private sector. "There are, however, some limitations to the … arrangement," according to the TPF for Zambia. "[T]he arrangement is not institutionalized," and it "does not meet regularly [and] is not funded." The TPF suggested that the NWGT be re-examined with a view to its reorganization, and that the trade ministry itself may need to be restructured.

facts, deciding whether a specific agreement should be pursued, and devising the country's negotiating objectives), while negotiations are underway (when responding to a partner's proposals and adjusting one's own positions), and after negotiations have been concluded (when approving, implementing, and taking full advantage of agreements).

The need for interministerial cooperation is quite evident in the execution of any national measures that are not designed for the express purpose of taxing or regulating trade, but that nonetheless have a significant effect on the movement of tradeables between countries. This category includes not only those areas where the connections with trade are obvious, such as agricultural policy and industrial strategy, but also such diverse areas as the environment, the budget, social programmes, and cultural policy. It is vitally important that a trade ministry act as the custodian of the commitments that a country has made in WTO and in its other international agreements, so as to ensure that other agencies do not enact laws or adopt regulations that inadvertently place the country at risk of dispute-settlement cases.

1. Interministerial consultations

Table 21 offers insight into how the expanding scope of trade issues has broadened the array of government agencies that are affected by negotiations and disputes in this area. Just a few decades ago, a trade ministry would act primarily as the agent for the country's private sector and its ministry of finance. Acting on behalf of the private sector, the trade ministry would seek to secure deals that opened foreign markets to the country's exports while protecting some items produced at home; acting on behalf of the ministry of finance, the trade ministry would also seek to ensure that tariff cuts did not sacrifice too much government revenue. The consultations needed at that time involved less than half of the cabinet in this hypothetical government. The addition of new issues

Table 21. Illustrative list of government ministries with interests in trade and trade-related issues

Ministry	Ministry's principal private sector consituency	Tariffs and quotas	Trade in services	Intellectual property[*]	TBT and SPS measures	Labour and environment	Government procurement
Trade and Industry[§]	Industry (especially exporters)	■	■	■	■	■	■
Agriculture	Farmers and ranchers	■	■	■	■	■	○
Energy	Energy producers and consumers	■	■		□	■	○
Labour	Workers	■	■		□	■	○
Finance	Banks, insurance companies, etc.	□	■	■			□
Foreign Affairs	—	□					○
Culture	Artists, audiovisual producers, etc.		■	■			○
Health	Doctors, hospitals, and patients		■	○	□	□	○
Justice[†]	Lawyers		■	□			○
Education	Teachers and students		■	○		■	○
Communications	Telecommunications firms, etc.		■		□		○
Transportation	Shipping firms, truckers, etc.		■	□	□	□	○
Interior[‡]	—		□			□	○
Environment	NGOs and the general public				□	□	○

TBT and SPS Measures = Technical barriers to trade and sanitary and phytosanitary measures.

* The topic of intellectual property rights includes geographical indications.

§ For purposes of this illustration it is assumed that the country has a Ministry of Trade and Industry and does not make trade chiefly the responsibility of some other agency.

† For purposes of this illustration it is assumed that the patent and trademark office is housed in the Ministry of Justice.

‡ For purposes of this illustration it is assumed that the Ministry of the Interior is responsible for administering the country's immigration system.

■ Ministry's principal concern with the issue relates to the economic interests (offensive and/or defensive) of its private sector constituents.

□ Ministry's principal concern with the issue relates to topics within its administrative/policy control.

○ Ministry's principal concern with the issue relates to its own operational or budgetary needs.

has brought virtually every other government agency, with the possible exception of the ministry of defence, into debates over trade policy.

> A coherent trade policy framework is needed because of the fact that, upon attaining political independence in 1975, [Papua New Guinea] inherited from the colonial administration a system of government that did not have such a framework … The lack of a vision and coherent trade policy has resulted in the development of ad hoc and often conflicting rules, regulations and practices affecting trade, and in an even greater disconnect between trade policy framework and other key economic (tariff, investment, industrial), sectoral (manufacturing, agricultural, forestry, fisheries, minerals) and social policy issues.
>
> *Papua New Guinea Trade Policy Framework (2006)*

Coordination between the ministries of finance and trade is no less important today than it was in the past. Trade taxes, which may be collected as tariffs on imports and exports as well as consumption taxes on imports, still account for a relatively high share of total government revenue in numerous developing countries. No matter what the precise level of fiscal dependence on trade taxes, it is imperative that trade policymakers work closely with budget planners in preparing for all negotiations that may lead to a reduction in tariffs. As things now stand in some developing countries, budget planners have no way of incorporating the projected results of trade negotiations in their plans, nor of providing useful guidance to trade negotiators regarding the budgetary consequences of making proposed deals. If the two ministries do not coordinate on these matters before and during a trade negotiation the fiscal consequences of a given tariff cut might have to be considered on a purely intuitive basis, and after the fact.

Other ministries that might never have paid the slightest attention to trade must now be consulted. This point can be appreciated by considering the many ways that the interests and authorities of the ministry of health might now be affected by issues that are on the table in negotiations or might be raised in litigation. The country's medical community is the natural constituency of this ministry. It is doubtful that most doctors, dentists, X-ray technicians, hospital administrators, and others who work in this field think of themselves as exporters of services, or that they consider their tasks to be in competition with foreign providers of these same services; it is equally doubtful that the officials in the ministry of health will think of the laws that they administer as being the subject matter of trade negotiations. And yet that is precisely what may happen if one of the country's partners asks that it make a commitment on trade in medical services. The ministry of health will also have its own views on the consequences of extending stricter protection to patents on pharmaceuticals, the concessions that might be made on tariffs and regulations affecting the sale of alcohol and tobacco, and the "portability" of health insurance across borders. Even if these issues are not explicitly addressed in a trade agreement, it is also possible that they will arise later in a dispute-settlement case.

> It is critical that the country implementing a trade policy adopts complementary policies in order to adapt the domestic institutions, create the stable macroeconomic environment necessary to promote growth, and facilitate any adjustment costs arising from the adoption of new trade policies.
>
> *Trade Policy Framework: Botswana (2015)*

None of this is meant to suggest that the trade ministry ought to invite every other government agency to exercise a veto whenever it is concerned that a proposal might cross jurisdictional lines. Were it to do so, the trade ministry might soon find that it has very little left on which to negotiate. What these observations do imply is that it is incumbent upon that ministry and its partners in other agencies to ensure that the country's negotiating positions are the product of comprehensive consultations that weigh the costs and benefits of making or requesting commitments in any given area, and that the resulting agreements stand a better chance of receiving the approval of the cabinet, the legislature, and the general public.

2. Consultations between different levels and branches of government

A trade ministry should not confine its consultations to other agencies of the executive branch at the national level. Depending on the constitutional arrangements within a country, it may also be necessary or advisable to extend those consultations to the legislative branch and/or to subnational units of government. This is an area where it is more difficult to make generalizations, given the diversity of political cultures, traditions, and constitutions. Much depends on whether a given country has a presidential or a parliamentary system, and on the extent of the authority that is exercised by smaller units of government.

It is nonetheless worth observing that countries in all quarters of the globe now find it necessary to consult more fully with other branches and levels than they did in the past. This is due not only to the changing subject matter of trade, but also to more fundamental shifts in governance. Democracy is more widespread in the WTO era than had been the case in the GATT period: 125 out of 195 countries (64.1 per cent) were electoral democracies in 2015, up from 69 out of 167 (41.3 per cent) in 1989.[17] The spread of democracy is one of the most encouraging developments in recent history, but in some countries it poses new challenges for trade policymakers. National and even subnational legislatures are more involved today in the making of international economic policy, as are a bewildering array of participants in civil society. The end result is that the domestic diplomacy of trade policymaking can be just as challenging for a trade ministry as are its dealings with its foreign counterparts. Even some countries with long democratic traditions are only now extending greater authority to their legislative branches in matters of foreign policy in general or trade policy in particular. That is most clearly evident in the case of the European Parliament, which under the Lisbon Treaty is now more powerful *vis à vis* the European Commission than in the past. The Inter-Parliamentary Union urges that legislatures in other countries be equally active in their scrutiny of international economic negotiations.

> Any trade policy framework and strategy should emanate from the aspirations of the nation and the various stakeholders as to what kind of society and economy they want to create.
>
> *Trade Policy Framework: Zambia (2016)*

Consultations also need to include subnational units of government in those countries where these institutions have jurisdiction over issues related to trade. This is an area where policymaking is often more complex in larger than in smaller countries, irrespective of their levels of economic development. Whether the units in question are called states (as in Brazil, India, Nigeria and the United States), provinces (as in Canada, China, and Turkey), or some other title (e.g. departments, *länder*, or cantons), subnational divisions may have either exclusive or shared jurisdiction over matters that have come to be incorporated within the expanded definition of trade policy. They can be especially active in the regulation of such services as banking, insurance, and education. Government procurement is another topic over which subnational governments may jealously seek to retain their autonomy, including the power to extend preferential treatment to local providers. These levels of government may also have limited authority in such topics as sanitary and phytosanitary measures, technical barriers to trade, and sales taxes. National governments are well advised to consult fully with their subnational counterparts on any topics that might require implementation at their level.

3. Consultations with the private sector

The private sector is the ultimate beneficiary of trade policy, and should be involved as much as possible in its development and execution. Businesses are often the most important source of information on other countries' trade barriers, apparent violations of trade agreements, and related matters.

The importance of consultations is easily acknowledged but not so easily executed. While many countries have some type of public–private consultative arrangement in place, relatively few function as well as they ought. Officials in the public and private sectors of developing countries often have parallel complaints regarding the conduct of consultations. Whereas representatives of the business community may criticize a government for consulting with them only sporadically, and doing so only when a policy is in the final stages of development or adoption, government officials may be equally unhappy with the input that they receive from the private sector. Comments may come too late, or not at all, and business representatives may raise their objections only after a policy has been implemented.

Dialogue between government and civil society should ideally be comprehensive, with the public sector being both informed by and giving actionable information to firms, industry associations, labour unions, and other interested parties. Producers, workers, exporters, and actual or potential investors need to know about any anticipated changes in the trading environment that might affect their opportunities or decisions. These include not only those steps that the government plans to take (e.g. the negotiation of a new agreement), but also information that the government obtains on the plans of other countries (e.g. if a certain programme or policy in a partner country is expected to change). Similarly, it is incumbent upon the business community to keep the government informed of any developments that should be taken into account in trade negotiations or other initiatives. For example, businesses should be encouraged to inform the government of any existing or anticipated barriers to foreign markets.

Representatives of the private sector may also be included in delegations to international meetings. This is a common practice in some countries, and ensures that policymakers have the benefit of on-the-spot information and advice. Many trade negotiations now include "parallel" events to which representatives of civil society are invited, ranging from trade fairs to seminars.

While it is important to foster consultation and collaboration between the public and private sectors, it is equally important to ensure that government does not respond only to the most influential interests. There is a distinct danger that the most organized and connected groups in civil society might "capture" government agencies, such that it is not the agencies that regulate industry but *vice versa*. In the field of trade policy, capture may manifest itself in unbalanced representation that favours protection over consumer interests. While it is economically rational for small numbers of producers to band together in support of continued protection, there is little incentive for large masses of consumers to organize in counterpoise to the protectionists. Skewed representation of interests can result in equally skewed policies.

These observations point to the need to include a wide range of civil society groups in consultations. In addition to groups that represent industries, exporters, and importers, a government should ensure that it gives adequate voice to the interests of consumers, service sectors (including the creative community), and others whose interests were often overlooked when trade debates were limited to issues involving the cross-border movement of goods

VI

Best practices for the conduct of a trade policy framework

The preceding discussion has examined the substantive issues that are covered in TPFs, but we now turn to the process by which these instruments are developed. Two points merit special emphasis. The first is that one must not lose sight of the fact that a TPF is just as much about development as it is about trade, and that this point should be foremost throughout the process of devising, adopting, and implementing the TPF. The second is that the final step in the process — the implementation — is ultimately the most important. No matter how well researched and written the report may be, it will count for nothing if it is not backed up by the necessary political and institutional support.

The TPF process as a whole can be divided into two major phases, of which the actual preparation of the document is only the first. As summarized in box 8, this first phase can be broken down into six major steps. The actions that are taken from the inception through the completion of the document are critical, but they are not sufficient. A TPF will count for nothing if that first phase is not followed by the second, implementing phase. This requires the necessary institutional commitment to ensure that its goals are pursued, monitored, and — if necessary — adjusted to account for new developments. This point is emphasized in the principles laid out in table 22, and elaborated upon throughout this part.

A. VISION AND OWNERSHIP

The two most important aspects of a TPF are the overall vision that it provides for the place of trade policy in the country's development strategy, and the national ownership of this vision. A TPF should offer both an overview of the objectives and a reasonably specific set of proposals by which the larger goals may best be accomplished. It can be all too easy to fall into the rhetorical trap of offering generalities and generic language, such that the authors present a vision that could — with the simple substitution of the country's name — be considered applicable to almost any other developing country (and not a few of the developed). When writing a TPF, countries should avoid the temptation to employ whatever buzz-words and cant phrases that are currently popular in policymaking and analytical circles, allowing clichés to take the place of analysis and bromides to substitute

Box 8. Stages in the development of a trade policy framework

Step 1: Request. Unlike some other review procedures that are legally mandated by the organizations to which countries belong (e.g. WTO) or the programmes from which they benefit (e.g. the Enhanced Integrated Framework for LDCs), a TPF is an entirely voluntary undertaking that originates with a request from the beneficiary country. This will normally follow a determination by the country that it has been underperforming in global markets, and would benefit from a reconsideration of its strategy.

Step 2: Scheduling and selection. Upon receipt of a request, UNCTAD will seek to allocate the resources needed to conduct a TPF, work with the government to draft the terms of reference for the project, and select the national and/or international consultants that will execute the project.

Step 3: Basic research and document collection. Researchers will begin their desk work by collecting and reviewing such documents as the country's development strategy and any strategies in functional areas such as trade, the WTO's most recent trade policy review, and the statistics and reports prepared by other international and national bodies dealing with economic and development issues. This step is especially important in defining the strategy that the country had pursued to date, and in identifying the key questions concerning how that strategy might be improved.

Step 4: In-country research. The principal objective of the in-country research is to interview not just the relevant personnel in the trade ministry, but also a wide range of persons who are knowledgeable about the challenges that the country faces. This is the most time-consuming and critical phase in the process. When the budget permits, it is recommended that this phase begin with a national seminar to which all public and private stakeholders are invited, together with members of the donor community, and given the opportunity to present their views.

Step 5: Initial draft and circulation. The initial draft should be circulated widely among stakeholders inside and outside of government. Sufficient time must be allowed for reviewers to examine and provide comments on the document (at least one month).

Step 6: Revision and validation. Taking into account any comments received on the initial draft, the TPF should be revised and finalized. It can then be presented for a national validation exercise, which will typically entail a seminar to which all stakeholders will be invited. Depending on the constitutional rules and traditions of the country, the document might also be subject to adoption by cabinet and/or parliament.

Table 22. Trade policy framework assessment criteria

Institutional principles	
Ownership	The framework is owned and its implementation are systematically supported by the stakeholders.
Champion	The stakeholders must identify a strong champion and advocate of the framework. The champion may be an individual or an institution, often from the private sector.
Clarity of roles	A framework is implemented through a multi-stakeholder arrangement. The roles of the government and private sector must be spelled out, with the plan providing for accountability, deliverables, and a reporting arrangement. All roles should be coordinated through a committee or unit that is empowered to facilitate and/or direct performance, and that ensures an effective communication/information exchange across the network of players.
Organizing principles	
Legally compliant	A framework must be coherent with the country's body of legislation. This includes internal, regional, and international laws and treaties to which the country is legally bound.
Proactive and responsive	The trade environment is dynamic. The framework must be able to position the country ahead of foreseeable developments and should respond swiftly to a changing trading environment.
Timely	Decision-making is backed by well-researched positions and data, but it is also swift and timely.
Execution and follow-through	
Resources	There is a well-resourced driving and coordinating unit with clear authority and transparency to report results. All stakeholders involved in the implementation of the framework must have adequate resources to carry out their assigned tasks.
Implementation	The framework needs a strong senior-level policy committee and an effective coordinating unit that drives implementation. It may also need special funding to bolster the capacity of the key institutions.
Monitoring	The framework must have a functioning internal mechanism for monitoring, evaluation, and reporting, and this mechanism has to be answerable to the stakeholders.

Source: Adapted from the Assessment Report of the National Trade Policy for Botswana.

for recommendations. The value of a TPF ultimately rests on the ability of authors to combine a sweeping vision with a concrete set of action-oriented directives.

One important aspect of presenting a vision is to explain the reason behind preparing the TPF in the first place. The decision to draft this document will typically reflect a recognition on the part of the country that the existing laws and policies have not produced the desired results, and that reforms may be needed in order to foster better opportunities and outcomes. One way to do this is to offer a review of the historical development of the country's trade and development policies, noting the main shifts that have been made and how well the economy performed in different periods. What has worked and not worked in the past, and what lessons might be learned from that earlier experience? What aspects of the present set of policies seem inadequate, and what types of reforms would correct these shortcomings? A TPF with relatively modest goals will offer a detailed statement of the prevailing trade and development strategy, perhaps proposing that tweaks be made to the policies that define that strategy, but will not suggest fundamental changes. A more ambitious TPF may argue that the time has come for the country to undertake major changes in its strategy, and move from the established policies and objectives into an altogether new paradigm of trade and development.

To elaborate a bit more on the points laid out in box 8 and table 22, the research and writing phase of the TPF is preceded by the request from the government. This is not a mere formality, but is vital to the core principle of ownership. The entirety of the TPF project is founded upon the expectation that the government is fully invested in the project, which is treated not as a mere procedural requirement but as a comprehensive process of self-examination and prioritization. All other steps and principles proceed from this point.

Without ownership, it would be very difficult for the writers of the TPF to conduct the necessary research. What is at stake here is not simply the accumulation of legal texts, government reports, statistics, and other raw data, but rather a detailed view of national aspirations and the impediments that need to be overcome in order to achieve them. That type of insight can come only by engaging in a thorough and honest discussion that explores these matters in depth. Decision-makers, civil society representatives, and opinion leaders cannot be expected to participate fully in such an exercise unless they feel that they own it.

Ownership depends critically upon there being a champion for the TPF, and that in turn requires that there be a clarity of the roles played by distinct institutions in the public and private sectors. Every participant in the process should be considered a stakeholder, but only one among them can act as the champion. That champion need not be a government official; there are strong arguments to be made in favour of gibing that role to a leader in civil society. Whoever takes on that task, be it an individual or an institution, the champion will need to be backed up by other stakeholders.

Beyond ownership, there are three other principles that will ideally guide a TPF. The analysis needs to be legally compliant both internally (with respect to national laws) and externally (with respect to the country's commitments to its trading partners), it must take a proactive and responsive position to a policymaking environment that is not static, and it needs to offer analysis and recommendations that are timely.

A TPF has no value if it is seen as a document and not as a real commitment. The completion of the report itself is not the culmination of the process, but instead its beginning. A properly designed TPF will specify the institutional responsibilities for its execution, including timetables for specific goals and monitoring of progress. It must provide for the resources necessary to carry out the recommendations, and the proper implementation of the TPF needs regular monitoring in order to be effective.

What issues should be covered in this process? They are too many and varied to be reduced to a simple table, and will also vary somewhat from one country to another. For checklists of questions to be asked and institutions where these questions should be directed, see the concluding part of this handbook.

> In the long term, specifically by 2030, Jamaica seeks to achieve developed country status. Specific national outcomes that should also be achieved by that date include sustainable management and use of environmental and natural resources, effective governance, a healthy population (efficient delivery of health services), world-class education and training, strong economic infrastructure, energy security, a technology-enabled society and the development of Jamaica as an international shipping centre and logistics hub.
>
> *Trade Policy Framework Jamaica (2015)*

What type of vision should a TPF present? There is certainly no "one size fits all" prescription that every country must accept, but a few broad guidelines are suggested by the facts reviewed in this handbook.

Whether the aims of a TPF are modest or ambitious, one of the key elements that shapes its vision concerns the proper roles of the state and the market. Analysts and policymakers continue to divide over the extent to which the interests of developing countries would be better served by giving either of these entities the lead in making essential decisions over economic activity, both in trade and in other areas, and also over the question of whether the roles of these two institutions should shift in response to a country's development. One may quite persuasively argue that not every country can seek to replicate the experiences of Hong Kong (China) and Singapore, due to the special characteristics of those countries. One may further argue that most developing countries would be better advised to follow the Japanese and the Republic of Korea's examples by pursuing a two-stage approach to market openness. But whether a country chooses to open its market early or late in the development process, it is quite evident that open markets, fair institutions, and good governance are associated with economic success. It is equally evident that trade is only one aspect of a country's overall economic policies, and that the most successful countries pursue reforms that cut across a broader array of policy areas. One of the most valuable take-aways that a country may receive in the TPF exercise is an understanding of the place that trade plays in those larger reforms. Three idealized strategic types are arrayed below, arranged in roughly ascending order of the emphasis that they place on open markets and the sequence that some countries tend to follow if they calibrate their degree of openness with their levels of economic development. The key features are also summarized in table 23.

Table 23. Characteristics of three idealized trade strategies of developing countries

	Inward-oriented strategies	Outward-oriented strategies	Market-oriented strategies
Overall orientation	Import substitution: Country aims to promote the establishment of new industries through trade restrictions and other favours	Export promotion: Country aims to promote the exports of its established industries	Open markets: Country aims to compete on a more or less even playing field at home and abroad
Degrees and forms of commitment	May be reluctant to make commitments at either the multilateral or regional levels	Favours policy space, and may make limited commitments at both levels, but is generally wary of negotiating extraregional RTAs	Treaty commitments complement domestic reforms, and the country may reach agreements that are multilateral, regional, or extraregional
Discrimination and non-discrimination	Seeks non-reciprocal and preferential access to major markets, and sees multilateral liberalization as a threat to the existing margins of preference	Will benefit from any preferential access it has to major markets, but if necessary will also bargain for access via multilateral deals	Favours open markets in any form available, and may be ready to lose preferential access if needed in order to reach multilateral deals
Types of countries favouring the strategy	Countries that feel especially vulnerable, including LDCs, landlocked countries, small island states, etc.	Countries that have achieved a higher level of competitiveness, but are not yet ready to remove all barriers	Countries with high levels of confidence in their ability to compete in and benefit from a global economy
Dominant sectors	The agricultural sector is typically much larger than in the average country	The manufacturing sector is significant, whether in labour- or capital-intensive industries	The relative size of the services sector may be nearly as large as those in developed countries

Countries that demonstrate the greatest degree of reluctance to engage in either autonomous or negotiated trade liberalization, and also depend on preferential access to the developed markets, often feel drawn towards an inward-oriented strategy. Domestic trade politics in these countries may be dominated by sectors that seek continued protection, and there may be little pressure for liberalization. The country's trade strategy will typically stress the importance of protecting infant industries through relatively high tariffs and other instruments aimed at restricting or regulating the penetration of foreign goods; that may include a system of tariff escalation under which the effective rate of protection on finished goods is especially high. In these countries the state typically plays a large role in guiding development, and the country may also be dependent upon foreign assistance.

Vision

To establish a market-driven, development-led, sustainable trade policy capable of catalysing expanded economic growth, reduce poverty and attain improved living standards for all Angolans.

Policy objective

To transform the economy, build sustainable, inclusive development and economic resilience, attain competitiveness and reduce poverty particularly in rural areas through enhancing the contribution of all sectors of the economy, in particular that of the non-oil sectors to overall economic growth through export-led activities, greater investments, domestic value added activities and services exports. This transformation shall be private sector-led.

Trade Policy Framework: Angola (2015)

As a general rule, countries that have achieved a higher level of export competitiveness tend to favour more outward-oriented strategies. These countries may be successful exporters of agricultural goods (raw or processed) and/or manufactured goods, and are at least as interested in obtaining commitments for the reduction or removal of foreign barriers to their exports as they are in retaining their own protective barriers. The country's trade strategy is thus oriented at least as much towards exports as it is towards imports, with its outlook bearing a closer resemblance to classical mercantilism than to either protectionism or free trade. As such, there will be some products for which it aggressively seeks the elimination of foreign barriers, but others for which the country will seek to retain its own protection. Countries in this category country are often interested in maintaining its own policy space, but also in receiving special and differential treatment in any trade agreements that they negotiate. The country's dealings with the major trading powers will be principally conducted via WTO, and while it takes advantage of any preferential programmes offered by those countries it may not be interested in negotiating RTAs with them. Its own RTAs are typically confined to those within its own region.

The countries that favour a market-oriented strategy are typically the most economically advanced of the developing countries. A very few of them may favour such an approach from an early stage of their development; the adoption of this strategy will more typically be proceeded by the pursuit of an outward-oriented strategy (which may in turn have been proceeded by an inward-oriented approach). A market-oriented strategy might thus represent the culmination of a decades-long process by which the country has progressively transferred ever more authority from the state to the market in setting national priorities and in determining what private industry and consumers choose to produce, purchase, and trade.

Although there appears to be a general relationship between the level of a country's development and the strategy that it adopts, it would be a serious mistake to assume that this general rule is universally applied. The TPF for Namibia certainly contradicts any such claim. Despite the fact that Namibia is an LDC, this TPF argues in favour of a strategy that leave more room for the market than it does for the state. Taking a dim view of the import-substitution doctrine that has characterized that country's trade strategy, the TPF argued that "Namibia will find it very difficult to pursue" this approach successfully. Characterizing it as a "coercive" strategy that would "us[e] instruments such as investment conditions, trade protection, and preferential sourcing," the report presented instead an alternative vision (see box 9).

B. CLARITY AND LEGAL COMPLIANCE

Countries do not have blank slates, but instead accumulate a great many rules and commitments that define the extent of the "policy space" within which they operate. These include some domestic instruments that may be considered permanent (especially its constitutional arrangements) and the commitments that it has made to its partners in multilateral and regional trade agreements; others are subject to periodic revision and adjustments (e.g. annual budgets). A TPF should clearly identify all relevant commitments, be equally explicit about the types of laws and agreements that it advocates, and ensure that any new initiatives that it proposes are permissible within the existing legal obligations of the country.

The term "treaty" is formally defined in article 2.1(a) of the Vienna Convention on the Law of Treaties as "an international agreement concluded between States in written form and governed by international law, whether embodied in a single instrument or in two or more related instruments and whatever its particular designation," but it might alternatively and informally be defined as an instrument by which countries mutually agree to impose voluntary limitations on the exercise of their sovereignty. This point is not unwelcome: It is in the interests of all members of the trading system that they operate within a body of well-understood and enforceable rules, and those rules matter only if they actually place constraints on countries.

Whether the agreements that they negotiate are multilateral or regional, developing countries (other than LDCs) are now expected to take on greater

Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.

One of the 12 targets under Sustainable Development Goal 8:

Promote inclusive and sustainable economic growth, employment and decent work for all

Box 9. Strategic vision presented in the trade policy framework for Namibia

In our view [import substitution] is not likely to succeed for the simple reason that economies of scale in the domestic market are absent, but also because the likely targets for such a strategy favour location in South Africa and, by virtue of relatively free trade within SACU, can service Namibian markets from their South African base. While a mix of incentives could be put in place, combining them with coercive instruments is likely to repel, rather than attract, foreign investors, particularly the lead firms central to the next strategy option we outline below. Hence the "coercive" strategy runs the risk of penalizing the Namibian economy as a whole, and poor consumers in particular.

An alternative approach is available. This could be framed as a "niche" strategy, wherein Namibia accommodates to its structural realities by targeting specific niches in regional and global value chains into which its domestic producers could plug, with a view to upgrading over time. In this approach the government's primary task is to facilitate entry into value chain networks coordinated by foreign lead firms, incentivising those firms to upgrade the participation of local firms over time. The policy package associated with this strategy is essentially one of transactions costs reductions, business environment reforms, and putting in place institutional supports to local business to improve their attractiveness to the lead firms targeted. The risk with this approach is that Namibia may not be able to do what is necessary vis a vis the SACU common external tariff (CET), since the CET is predominantly determined by South Africa; a reality that is likely to endure given South Africa's much larger and more diversified economy. However, there is an opportunity to differentiate Namibia from South Africa, as Botswana now seems to be doing, since South Africa appears set on an import substitution path and foreign companies are responding by looking for alternative investment locations in the region.

A hybrid approach is also conceivable. So, the Namibian government could decide which sectors or niches it wishes to condition foreign access to for purposes of economic empowerment and/or production capacity building and make its intentions known to the international community. This is most likely to work in those sectors where Namibia has real market power, notably in uranium and fisheries but perhaps in other sectors too. Then it could pursue a policy of openness and transactions cost reduction in those sectors where, in its judgement, it is unlikely to succeed with such an approach. As long as this is done in a transparent, predictable, and stable manner it could work.

Trade Policy Framework: Namibia (2016)

burdens than was previously the case. For the multilateral system, that means ending the old practice by which most developing countries were outside the system and those that were in it opted not to sign most agreements. Today nearly all countries are WTO members, and all of them are obliged to adopt nearly all agreements. At the bilateral and regional levels, that means switching from arrangements by which they enjoyed one-way, preferential access to the markets of the industrialized countries to one in which they make reciprocal commitments to open their markets.

C. TIMING AND RELATIONSHIP TO OTHER INSTRUMENTS

When should a TPF be conducted? The simple answer to that question is, at the time when the reception of its message may have maximum impact in the beneficiary country. This would ideally come a time when there is a widespread recognition that the policies pursued to date have yet to deliver the kind of results that policymakers and the public have hoped for, and they are prepared to consider alternatives. The more complicated answer to that question requires that one take into account any other reviews that may already be underway. The best timing for a TPF would complement rather than compete with these other reviews.

As summarized in table 24, the most important of these other exercises are the Trade Policy Reviews (TPRs) conducted for all members of the World Trade Organization, and the Diagnostic Trade Integration Studies (DTIS) for least developed countries. While the purposes and contents of these studies differ in various ways, there are several respects in which they are similar to a TPF. In all three cases, the examination requires a wide and deep exploration of a country's laws, policies, objectives, challenges, opportunities, and results. The investigative procedures pursued in all three of these exercises are similar, involving a combination of desk work, extensive interviewing, and validation procedures.

As a general rule, it would be redundant to engage in any two of these exercises at more or less the same time. The timing of a TPF should thus come at a time when neither a TPR nor a DTIS investigation is underway. It could be even more beneficial, however, to time these exercises such that one followed closely after another. If a country is subject to either a DTIS or

Table 24. Three assessment mechanisms

	Trade policy frameworks	Trade policy reviews	Diagnostic trade integration studies
Eligible countries	All developing countries	All WTO members	Least developed countries
Frequency	Upon request	Every two, four, or six years, based on the country's share of world trade	Every five years
Administering agency	United Nations Conference on Trade and Development	World Trade Organization	Executive Secretariat of the Enhanced Integrated Framework
Principal purpose	Assist countries in identifying their barriers to trade and development and in overcoming them	Ensure compliance with WTO commitments	Assist countries in mainstreaming trade into development
Deliverables and results	TPF report that presents an overall vision of national strategy and specific recommendations for achieving it	Report by WTO Secretariat and meeting of the Trade Policy Review Board	DTIS report that can mark the transition from one tier of Enhanced Integrated Framework assistance to another

a TPR in year 1, for example, it could be advantageous to schedule the TPF for year 2 or year 3. In that way, the TPF investigation could take full advantage of the investigative work and policy recommendations that may emerge from the first process. There may also be advantages to scheduling a TPF so that its results come a year or two before the next DTIS or TPR to which the country may be subject. When pursued in that order, the country may have the benefit of an outside audit to give feedback on the conclusions reached, and the preliminary execution of, its TPF exercise.

It should be stressed that while all of these exercises can benefit from the work done in others, none of them should blindly accept the empirical information that the others produce. Due both to the potential for human error, as well as the need to update any time series of data, whatever information is presented in one report should be verified and updated before it is adopted by another.

D. INTERNAL AND EXTERNAL CONSTRAINTS

"The enemy is anybody who's going to get you killed," Joseph Heller had a character say in the novel *Catch 22*, "no matter which side he's on". One might adapt that idea to trade policy to state that, as a general principle, the principal objective of a trade ministry should be to reduce or eliminate any barrier to the full participation of the country's industries in the trading system, no matter what its nature or where it might be found. Some of those barriers may be external constraints such as tariffs and non-tariff measures imposed by partner countries, but many others may take the form of internal constraints. The latter includes capacity limitations that affect the country's ability to produce and export competitive products (e.g. inadequate infrastructure, deficits in human capital, etc.), as well as policies that might discourage entrepreneurship (e.g. through heavy taxation, regulation, or corruption). No matter where these inhibitions originate, they should receive the attention of the trade ministry and the TPF.

Many of the external barriers that developing countries face have been greatly diminished over the past generation, or have even disappeared altogether. Whether as a result of dependence on primary products, their eligibility for preferential programmes, or their negotiation of regional agreements, many small and poor countries have seen tariffs on their exports whittled down to low or zero levels. This will often mean that their opportunities to export are determined more by capacity constraints at home than by barriers abroad. For many of these countries, the promotion and facilitation of trade are more important than negotiation or litigation. Trade liberalization has now progressed to the point where protected sectors are the exception rather than the rule in most developed countries, and the greatest constraints on the opportunities of most developing countries are internal rather than external. These two points have tremendous implications for the workload of trade ministries, where the domestic tasks are often more important than the international. Put another way, trade is determined more by the efficiency of firms and the environment in which they operate at home than by the trade barriers that governments choose to impose, waive, or remove.

> The fundamentals for long-term growth are human resources, physical infrastructure, macroeconomic measures and the rule of law. The role of trade policy in economic growth is largely auxiliary and of an enabling nature: extremes of export taxation and import restrictions can surely suffocate nascent economic activity, but an open trade regime will not on its own set an economy on a sustained growth path. Too much focus on "outward orientation" and "openness" can even be counterproductive if it diverts policymakers' attention away from the fundamentals listed above and treats trade rather than per capita income as a yardstick of success.
>
> *Rwanda's Development-Driven Trade Policy Framework (2010)*

The most important barriers to foreign markets that do remain are primarily in the form of non-tariff measures that are more often adopted for technical than for protectionist purposes, but may nevertheless have a restrictive effect. One frequent example is the imposition of sanitary and phytosanitary measures on products that can, if not handled properly, pose threats to the health of consumers in developed countries. The resulting restrictions on imports of (for example) fruits, vegetables, meat, and fish from developing countries are typically not manifestations of protectionism *per se*, but are best seen instead as external reflections of internal constraints. If countries do not have in place the needed resources to meet developed countries' standards, such as safe and reliable sources of clean water and electricity, they may find their products excluded from these markets.

These are points that one finds reflected in the TPFs produced to date. The TPF for Zambia, for example, paid just as much attention to the NTBs that the country itself imposed on imports from its regional partners as it did on the NTBs that those partners imposed on Zambian exports. Similarly, the Jamaican TPF noted the problems encountered in the development of new, processed agricultural exports in an environment in which "standards are increasingly stringent and constantly changing," and in which "compliance has considerable cost implications, particularly for SMEs" (p.80). The TPF for Rwanda likewise noted that the country's coffee faces no duties in major export markets, but as an LDC the country lacks "capacity to meet standards for its exports" (p.19). These include the European Union's standards with respect to ochratoxin (a type of fungus) for roasted, ground and soluble coffee; United States standards for pesticides in coffee and tea; and food safety standards in Switzerland. The ability of Rwanda to meet these standards is hampered by the unavailability of the needed infrastructure and personnel, obliging it to use services in other countries in order to test its own products. That problem is being ameliorated by strengthening the capacity of the Rwanda Bureau of Standards, and obtaining accreditation of its laboratories, but it is clearly a great expense for a poor country.

> The technical capacity of Botswana to implement and monitor SPS measures … might be … strengthened with the adoption of the National Quality Policy as an instrument to ensure the WTO and SADC compatibility of its internal standards and help local manufacturers as well as importers to meet the fundamental objectives for technical regulations, namely to ensure the health and safety of society and the health of the environment.
>
> *Trade Policy Framework: Botswana (2016)*

Recognizing that technical barriers to trade are partly a matter of national capacity, TPFs may advance proposals to fill these gaps. Countries that are members of customs unions or common markets can sometimes achieve an economy of scale by establishing such facilities on a regional basis. In some cases, the regional project has yet to achieve real progress in removing the standards barriers that are erected among its own members. The TPF for Jamaica, for example, notes that the CARICOM Regional Organization for Standards and Quality (CROSQ) was created in 2003 to promote the harmonization of standards. "However," the TPF observes, "the ability of CROSQ to fulfil its mandate has been limited" (p. 35). Jamaica has instead been creating or reinforcing its national institutions, including the Import/Export Inspection Centre and the Bureau of Standards Jamaica.

The costs of border compliance that were reviewed in part IV imply that most countries would be well advised to attach at least as much priority to reducing their shipping costs than they do to reducing the tariffs of their trading partners. Some of the determinants of these costs are not within the capacity of Governments to change, especially sheer physical distances, but the quality of infrastructure and the efficiency of procedures certainly are. This is not something that can be done solely by the trade ministry, but will principally be in the province of the agencies that administer customs and operate the ports. Similar points can be made with respect to the many other elements that go into determining the competitive environment in a country. A country that wishes to compete effectively in the global economy cannot base its strategy solely on improved access to foreign markets; it must also attend to all other issues that affect the costs of producing and shipping goods and services. One of the main roles of a trade ministry is to serve as a voice for the trading community as the Government sets its priorities, and to ensure that the needs of this community are taken into account when devising new policies and allocating resources.

The TPF for Rwanda drew a distinction between hard infrastructure such as transportation networks and other physical resources, versus soft infrastructure such as policy and regulation, transparency, predictability of the trade and business environment, and customs procedures.

E. DATA COLLECTION AND ANALYSIS

One problem that is shared by those who prepare a TPF and those who must execute its recommendations is the difficulty in obtaining comprehensive, reliable and timely economic data. In a perfect world, the public and private sectors would have easy access to a wealth of information on trade and investment in both goods and services, as well as extensive figures on national production, employment, and consumption in a wide range of sectors. In the course of writing a TPF, researchers may find their queries stalled on several of these points. Some types of data may be unavailable, while others are dated, incomplete or simply wrong. The assessment report on Botswana, for example, found very significant deviations between the declared values of imports into Botswana and the corresponding value data for exports from the partner countries, as well as similar discrepancies for Botswana's exports that the partners imports. These shortcomings present both a short-term and a long-term problem. The researcher must often reach defensible conclusions on the basis of incomplete data, while also proposing ways that the country's collection, analysis and dissemination of data might be improved in the future.

> By 2020, enhance capacity-building support to developing countries, including for least developed countries and small island developing States, to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts.
>
> By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries.
>
> Two of the 19 targets under Sustainable Development Goal 17:
>
> *Revitalize the Global Partnership for Sustainable Development*
>
> 17 PARTNERSHIPS FOR THE GOALS

In the short term, the TPF researchers need to collect all available data but must also be selective in its use. It is important to resist the temptation to treat a TPF, or at least its introductory sections, as a data dump into which all manner of raw facts and figures can be stuffed. What most matters in a TPF is not the bulk of data but the quality of analysis, and the writers should focus their attention on those statistics and other information that are most relevant to their argument. It may be appropriate to provide statistical appendices, but the body of the document should present only that information that helps the readers to understand the argument being presented. It is also important for researchers to verify the information that they collect. Their task can often be facilitated by drawing upon previous analyses, such as (for example) a recent trade policy review of the country, but in so doing they should use only the most recent information. If that TPR presents information that was collected from some national or international source, it is important for the researchers to find out whether that same source has since been updated.

The longer-term goal is to enhance the capacity of policymakers to find and properly utilize data in real time. The effectiveness of a trade ministry is determined to a considerable degree by its capacity to manage the flow of numbers, words and ideas. The information and communications with which it must deal come in a wide variety of forms: economic data on actual trade and the barriers (tariff and non-tariff) imposed by the country and its partners; legal understanding of the existing treaties, laws, and regulations; knowledge of the positions taken by other government ministries, as well by the many components of civil society (principally business, labour, agriculture and non-governmental organizations); the views of like-minded countries with which the country may engage in coalition diplomacy; and political intelligence on the interests, objectives, and influence of the key parties in the partner country. A well-run trade ministry devotes much of its resources to gathering, processing and exploiting each of these types of information. In other words, it must be prepared to calculate the data, consult at home and coordinate with partners.

Issues such as intellectual property rights and investment also pose difficult problems for analysts. Once again there are shortcomings in the availability and reliability of data, as well as greater legal complexities. These are areas where a country may do well to rely upon the analytical and technical assistance made available by international organizations and developments banks. Provided that one takes into account their potential biases and agendas, it can also be helpful to receive assistance from think tanks and non-governmental organizations.

Researchers should take the fullest advantage of all sources of trade, investment, and other economic data, utilizing (among others) the sources listed in box 10. For comparative purposes, it may also be useful to show where the country fits relative to its neighbours and other peers in various trade-related indices. This most prominently includes the Doing Business data of the World Bank, but also includes a great many other sources that provide rankings of countries on various measures. These include the following:

- Index of economic freedom (Heritage Foundation/ *Wall Street Journal*)
- Foreign direct investment regulatory restrictiveness index (OECD).
- Corruption perception index (Transparency International).
- Human development index (United Nations Development Programme).
- Services trade restrictiveness index (World Bank).
- Logistics performance index (World Bank)

There are steps that a TPF can recommend in order to assist a country in its capacity to collect, analyse, and disseminate data. The Rwanda TPF, for example, observed that an Industrial Observatory Unit had been set up in that country by the United Nations Industrial Development Organization (UNIDO), but, for example, and does so in large part through the computable general equilibrium trade model of the Global Trade Analysis Project. The TPF for Jamaica relies heavily upon an analysis of the country's revealed comparative advantage in specific sectors and goods in order to identify priority areas for further development.

Box 10. Sources of trade and tariff data

The World Integrated Trade Solution (WITS) at is a joint product of the World Bank and UNCTAD, in consultation with other organizations. It gives users to access detailed information on trade and tariffs.

The International Trade Centre Trade Map provides tables, graphs, and maps on export performance, international demand, alternative markets and competitive markets, as well as a directory of importing and exporting companies. Users from developing countries can get full access to the tools free of charge.

The WTO has several tools available online for researchers. Its Statistics Gateway leads to the following resources:

- The Tariff Analysis Online facility allows users to access the WTO Integrated Data Base and Consolidated Tariff Schedules database, select markets and products, compile reports and download data.
- The Regional Trade Agreements Information System and the Database on Preferential Trade Arrangements provide detailed information on the various agreements and programmes by which countries offer preferential treatment to specific partners.
- The Integrated Trade Intelligence Portal (I-TIP) provides practical information on a wide range of issues affecting specific products and sectors.

The trade data of the major developed countries are also useful as sources of mirror data on bilateral trade with those countries. One example is the DataWeb of the United States International Trade Commission. The Eurostat database offers pre-set reports on the bilateral trade of the European Union.

VII

Conclusions and checklists

A review of the dozen TPFs conducted to date reveals that while there are some respects in which developing countries' circumstances and challenges are comparable, there is also a great deal of diversity in their experiences and prospects. It would be a fool's errand to try to derive a single set of one-size-fits-all set of recommendations, and even if one attempted to do so, it would not be resolved solely through a review of the existing TPFs. The wide range of perspectives on the role of trade in development in these analyses can be appreciated by contrasting those prepared for Algeria, the Dominican Republic and Panama. They suggest differences in the present predicaments of the countries subject to these reviews and distinct points of view on how countries should devise their strategies.

Consider the different approaches taken to that most fundamental question, the sectoral composition of the economy and the transition from the primary to the secondary and tertiary sectors. Even in some countries where services already predominate, the TPFs collectively suggest that there is still a place for the agricultural sector and its further development. The TPF for Panama argued that the incorporation of new technology is critical to increase agricultural production and export capacity. "This should go hand in hand with efforts to train and adapt producers and to certify production processes and sanitary processes in compliance with international measures," according to the TPF, and "[n]etworks of agricultural producers can be instrumental to generate scale, for example in pooling resources and production capacity". Similarly, the Dominican Republic has lately experienced significant growth in its exports of primary goods, especially for products such as bananas and other fruits, vegetables and cocoa. That reliance on primary products has aided the Dominican Republic in adjusting to the challenges that stemmed from the dismantling of the textile quota system under the WTO Agreement on Textiles and Clothing.

Just as there is no single formula for the sectoral evolution of developing countries, so too is there no single formula for how they ought to structure their trade policies. The evidence suggests that the more successful countries reach many and deep trade agreements, but it does not necessarily follow that all of their success can be traced back to those agreements, or that all other developing countries ought to emulate their strategies. The TPF for Panama lauded the decisions made in the 1990s to integrate the country into the multilateral trading system, and then to negotiate a network of bilateral agreements. The main need, according to this analysis, was to undertake trade negotiation initiatives to consider additional opportunities in different markets (e.g. in Asia and the Caribbean), and to take steps to ensure that the country took full advantage of the opportunities created by its openness. Even so, that same report found that Panamanian exports increased faster to non-FTA partners than they did to FTA partners. The TPF for Algeria likewise recommended that export promotion should be made a national priority, but favoured a more cautious approach to international commitments and a notably larger role for the State. While it called for completion of the country's WTO accession, the TPF also suggested that a government council should set credible and quantified export targets, using such incentives as are still permitted by WTO rules (e.g. with respect to research and development, specialized banks, interest rate subsidies, tax relief). The report favoured public policies to promote import-substitution sectors and products. It also advocated the use of safeguards on behalf of infant industries and the establishment of a special incentive system that focuses on value addition and compliance with standards. The TPF also called for the banking system to reserve special support for the export sector by creating a specialized export bank.

In short, the views expressed in TPFs can be as varied as the developing countries themselves. The challenges that these countries face each show their own characteristics, and that fact should be reflected in the analysis and recommendations of each TPF. While this chapter thus does not attempt to define best practices in trade and development per se, it does offer guidance on the best practices that countries should follow in the research and analysis that they conduct when deciding which paths are right for them.

For those same reasons, the research and writing of a TPF is a complex and nuanced process that cannot be reduced to a simple recipe. Every country's circumstances are special to some degree, and unique in others, and so the researcher must adapt to those circumstances. That said, there are some final guidelines that can be presented here in the form of checklists.

Checklist 1 concerns the most fundamental questions that should be asked with respect to every country that is subject to the TPF exercise. Each study should begin by defining those characteristics of a country that cannot be changed, or at least cannot be shifted rapidly, and hence define the challenges and opportunities that are available to policymakers.

Checklist 1. The basics

- ☐ What are the key permanent characteristics of the country concerned with respect to its geographical type, location and access to the sea? If it is a landlocked country, what is being done to deal with the added transportation costs? If it has ready access to the sea, what is being done to take advantage of this opportunity?
- ☐ Is the country formally designated as an LDC, or as any other special type of economy (e.g. landlocked developing country, small island developing State, net food-importing developing country, etc.)?
- ☐ What types of resource endowments does the country have? How have these resources affected decisions of what types of goods and services the country will produce, export and import? How have these resources affected decisions of what types of trade agreements that the country will negotiate?
- ☐ How is economic activity distributed among the primary, secondary and tertiary sectors? Which sectors are contracting, and which are expanding, in relative size?
- ☐ How trade dependent is the country, both with respect to imports and exports?
- ☐ What is the native language of the country, and what implications might that hold for its participation in language-intensive services activities (e.g. call centres)?

Checklist 2 is based on the fact that the historical dimension is especially important for these country studies. While it is useful to know as much as possible about what a country's trade and development strategies are now, it is at least equally important to know how they arrived at this point. Except in the rare case of a country that has pursued a more or less consistent approach over the course of generations, nearly all countries can be assumed to have undergone important changes in their policies over the years. A country study should seek to explain when and why countries moved from one strategy to another and what the differing results have been. How might the country's past and present strategies best be characterized, especially with respect to the major choices laid out in this paper? What roles did these strategies give to the State and the market? What kinds of trade agreement did they foresee? Can the shifts be taken as prima facie evidence of the failure of the earlier strategies, or instead that the country had reached a position in which it could afford to take more risks?

Checklist 2. Evolution of a country's trade and development policy

- ☐ Does the country have a formal trade strategy? If not, do the statements of government officials and other governmental documents, and the actions taken (e.g. its pattern of trade negotiations) constitute an informal trade strategy?
- ☐ Is there an underlying principle to the country's trade policy decisions? To what extent does it aim at export promotion, import substitution, or both? Might it instead be characterized primarily as either protectionist or laissez faire in its orientation?
- ☐ When and under what circumstances was the current orientation towards trade policy developed? Did this represent a transition from some other strategy, and if so what are the differences between the present and the past strategy?
- ☐ What issues or events precipitated that change? Was any change in the country's trade strategy related to a larger change in its overall development strategy, and/or to important changes in the country's political system or leadership?
- ☐ How does the country's trade strategy relate to its overall orientation in economic policymaking?
- ☐ What are the principal offensive and defensive interests of the country in trade negotiations, and is one set of interests dominant over the other?
- ☐ What place do trade negotiations have in the country's trade policy? Does it actively engage in negotiations at the regional level, the multilateral level or both? Does one level or the other predominate in its policy?

The more precise instruments of trade policy form the basis of checklist 3. It is important that researchers develop information not only on whatever laws and policies may be on the books, but also on the actual capacity of the country's institutions to carry out these responsibilities. To the extent that capacity constraints may be identified, researchers should determine whether the shortcomings might best be addressed through narrow measures such as providing the training and resources that an institution needs, or if it would be preferable to replace the existing policy instruments with some alternative set of policies and tools.

That same point applies with respect to the institutional arrangements that are the subject of the final three checklists 4–6, which are divided here for reasons of clarity. One of the principal tasks in any TPF is to determine not just whether the individual institutions of Government and the private sector have the tools that they individually need to carry out their mandates, but also whether they collectively engage in the types of consultations that are necessary to exchange information and coordinate effectively. It would be a very rare country indeed that could not improve on the consultations that are conducted both within Government and between the public and private sectors, and a TPF should recommend whatever steps are necessary and prudent to improve upon those practices.

Checklist 3. A country's trade policy instruments

- ☐ What is the tariff profile of the country? What is the average tariff rate and the distribution of tariffs? Is tariff escalation significant?
- ☐ To what extent are other instruments of protection, such as trade-remedy laws and non-tariff measures, used to regulate or restrict imports? What other objectives in public policy might modify its approach to the use of non-tariff measures?
- ☐ What other instruments might the country employ, such as subsidies, in pursuit of its objectives?
- ☐ Whatever its orientation in trade policy, are there areas in which the country is especially sensitive? Are there any specific sectors (goods or services) on which it is unwilling to make market-access commitments, or other policies on which it insists on maintaining its policy space? What other types of policy objectives explain these exceptions (e.g. security concerns andprotection of inefficient but politically influential industries)?
- ☐ How high a priority does the country place on obtaining and maintaining preferential access to the markets of developed countries?
- ☐ To what extent and in what ways has the country used trade policy as a means of supporting or locking in domestic economic reforms that have either already been adopted or that are under consideration?
- ☐ Has the country undertaken a policy of improving trade-related infrastructure, and has it taken other initiatives to facilitate trade?
- ☐ Is the country a member of WTO? If so, when did it join the multilateral system and under what terms?
- ☐ How active a member is the country in WTO? What type of mission does it have in Geneva, and what role do blocs and coalitions play in its representation?
- ☐ Does the country engage in trade disputes in WTO or in any other institutions?
- ☐ Is the country a member of regional blocs or issue-specific coalitions in WTO? If so, are they offensive, defensive or both? To what extent does the country rely upon blocs and coalitions to represent its interests, and to what extent does it act independently?
- ☐ If the country is a member of RTAs, are such agreements regional or extraregional? Is its principal regional RTA organized along the lines of open regionalism or closed regionalism?
- ☐ What kinds of services commitments has the country made in WTO and its RTAs?
- ☐ Does the country have antidumping and other trade-remedy laws in place? Does it have the technical capacity to utilize these laws, and has it imposed any orders under these laws?

Finally, checklist 7 offers an illustrative list of the institutions that should be interviewed in the conduct of a TPF. This is a deliberately spare list because it is generic in nature; the precise content will depend upon the actual structure of public and private institutions in any given country, as well as the presence of national and international members of the donor community. The specific content of the list will of course need to be adapted to those circumstances, always with a bias towards inclusion.

Checklist 4. Organization and consultations among policymaking institutions

- ☐ If trade policy falls within the jurisdiction of the foreign ministry, has a distinct department or other unit been established to handle this portfolio?
- ☐ What is the typical background of staff? Are efforts made to recruit officials with different areas of expertise?
- ☐ If there are distinct specialists working on trade in the ministry, such as lawyers and economists, are they encouraged to work collaboratively on interdisciplinary teams?
- ☐ Does the ministry seek to identify gaps in its skills? Does it have a strategy in place to fill these gaps through training and other capacity-building efforts?
- ☐ If the country is resident, what is the type and size of its WTO mission? Is the number of staff adequate? Would they benefit from additional training?
- ☐ Does the country have a permanent mission to WTO that is based in Geneva?
- ☐ Are arrangements made to acquire this information for any negotiating partners in which the country does not have diplomatic representation?
- ☐ If the country is a non-resident member of WTO, does it make full use of the information and other resources provided by regional institutions, international organizations and non-governmental organizations?
- ☐ If the country is non-resident, are arrangements made by which representatives from either the accredited mission (in Brussels, London, etc.) or the national capital make regular visits to Geneva?
- ☐ How many bilateral, regional, and multilateral negotiations is the country engaged in at once? Do trade ministry staff have an adequate travel budget to ensure their participation? Are alternative means more cost-effective and technically feasible, such as participation via videoconference?
- ☐ Does the country have diplomatic representation in the countries with which it is negotiating? Do its missions in these countries provide useful economic and political intelligence?
- ☐ Do mechanisms exist for regular consultations between the trade ministry and other government agencies? If so are they being fully utilized?
- ☐ If the country has a federal system of Government, is there a mechanism for coordinating action between national and subnational units of Government?

Checklist 5. Capacity of trade policymaking institutions

- ☐ Does the country concerned have a formal trade strategy in place that identifies objectives and the means for obtaining them?
- ☐ Has the country clearly identified those areas in which it has offensive and defensive interests?
- ☐ Do trade ministry staff have adequate training in analytical techniques? For example, do they have the data and techniques necessary to understand the impact of formula cuts on the country's bound and applied tariffs?
- ☐ Are there research bodies in the country, either public or private, that provide objective information and analysis?
- ☐ What type of trade data do the country's analysts use? Do they make effective use of the data provided by international organizations (e.g. WITS) and by their trading partners?
- ☐ How user friendly are the national trade data? Are these figures timely, and do they allow users to distinguish according to types or products, partners, etc.? Are the data associated with the relevant tariff data?
- ☐ Are data available on national trade in services?

Checklist 6. A country's representation abroad

- ☐ Does the trade ministry consult regularly with the SPS and TBT enquiry points? What efforts are made to ensure that notifications on these and other topics are made in a complete and timely fashion?
- ☐ Does the ministry regularly review sources such as the Global Trade Alert to determine whether its trading partners are erecting new barriers, or whether any of its own actions are believed to violate the spirit or the terms of its trade agreements?
- ☐ Has the country been either a complainant or a respondent in any WTO dispute-settlement cases?
- ☐ Has the country participated as a third party in any disputes as a means of improving its understanding of the process?
- ☐ Is the country a member of ACWL?
- ☐ Has the country joined any issue-specific coalitions in WTO, or are its efforts concentrated on blocs?

Checklist 7. Institutions to interview

Government agencies

- ☐ Agriculture
- ☐ Customs administration
- ☐ Economy
- ☐ Foreign affairs
- ☐ Foreign investment
- ☐ Intellectual property rights
- ☐ Telecommunications and postal services
- ☐ Trade
- ☐ Transportation

Civil society

- ☐ Chamber of Commerce
- ☐ Confederation of Labour Unions
- ☐ Exporters Association
- ☐ Customs Brokers Association
- ☐ Manufacturers Association

Donor community

- ☐ Donor coordinator
- ☐ United Nations Development Agency
- ☐ World Bank
- ☐ International Monetary Fund
- ☐ Trade and development officials in developed-country embassies

ENDNOTES

[1] Frances Stewart and Ejaz Ghani, "Trade Strategies for Development" Economic and Political Weekly Vol. 21 No. 34 (1986), page 1501.

[2] For purposes of this analysis, the major oil exporters are Algeria, Angola, Bahrain, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Oman, Qatar, Saudi Arabia, Trinidad and Tobago, the United Arab Emirates, and the Bolivarian Republic of Venezuela.

[3] Gordon McCord and Jeffrey Sachs, "Development, Structure, and Transformation: Some Evidence on Comparative Economic Growth" (2013), http://www.nber.org/papers/w19512.pdf?new_window=1.

[4] Author's calculations, based on World Bank data for GDP per capita at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD. The author classified countries according to language group based both on official languages and on the predominance of English or other European languages in some countries where those languages are not official.

[5] Ha-Joon Chang, Kicking Away the Ladder: Development Strategy in Historical Perspective (London: Anthem Press, 2002), page 140.

[6] The Index of Economic Freedom is based on measures of the rule of law (property rights and freedom from corruption), limited government (fiscal freedom and government spending), regulatory efficiency (business freedom, labor freedom, and monetary freedom), and open markets (trade freedom, investment freedom, and financial freedom). For further details see http://www.heritage.org/index/about.

[7] The significance of this point is explored at greater length in Part IV.

[8] In the United States of America, for example, the Generalized System of Preferences provides for an annual review process by which countries or other interested parties may seek adjustments in the program's product coverage.

[9] We return to this point in Part VI, discussing sources and procedures for such analyses.

[10] Author's calculations, based on data from the Corruption Perception Index of Transparency International (http://www.transparency.org/cpi2015) and GDP per capita (World Bank data at http://data.worldbank.org/indicator/NY.GDP.PCAP.CD).

[11] Author's calculations based on WTO data at http://www.wto.org/english/tratop_e/adp_e/AD_MeasuresByRepMem.xls.

[12] CBRE Global Research and Consulting, Prime Office Occupancy Costs (June, 2016), at http://researchgateway.cbre.com/Layouts/GKCSearch/DownLoadPublicUrl.ashx.

[13] Cost of living data from http://www.expatistan.com/cost-of-living/index, accessed July 28, 2016.

[14] For details see Craig VanGrasstek, "The Trade Strategies of Developing Countries: A Framework for Analysis and Preliminary Evidence" (2015).

[15] Author's calculations based on WTO and World Bank data.

[16] "Notification Requirements under the Agreement on Subsidies and Countervailing Measures: Background Note by the Secretariat" WTO document G/SCM/W/546/Rev.7 (March 31, 2016), page 3.

[17] Calculated from data posted at http://www.freedomhouse.org/report/freedom-world/freedom-world-2016.