

A Perspective on Trade and Sustainable Development

Jonathan T. Fried

Ambassador and Permanent Representative of Canada to the WTO

Overview

- The Key Ingredients for Sustainable Growth
- Macroeconomic, Structural, Trade and Investment Dimensions
- Where are the Rules?
- Conclusion

Challenges to Sustainable Growth

Finance

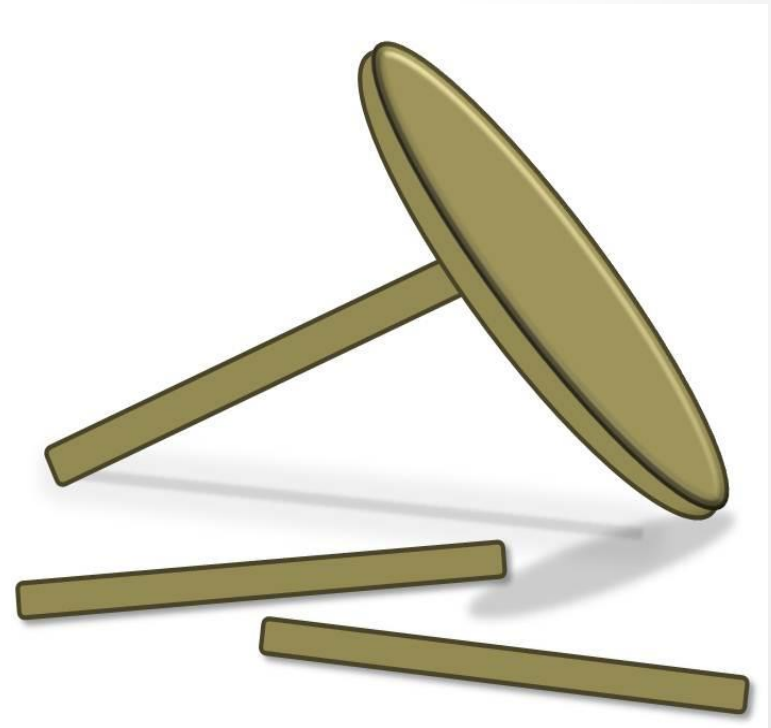
- Volatility and capital flight
- Global imbalances
- Unsustainable debt

Governance

- Corruption, crony capitalism, and SOEs
- Inequality and social unrest
- Under-investment in enabling environment

Trade

- Rising protectionism
- Regionalism : 'Spaghetti-Bowl' of FTAs
- Competitiveness challenges



Sustainable Development Requires a Comprehensive Approach...Domestically

Finance and Investment

- Sound macroeconomic environment
- Strong and stable financial sector
- Efficient and competitive tax system

Governance

- Improve economic infrastructure
- Undertake structural reforms
- Enhance inclusivity and equality

Trade

- Build on trade's contribution to GDP
- Promote value chains
- Deepen integration



Sustainable Development Requires a Comprehensive Approach...Internationally

Finance and Investment

- Financial, fiscal and monetary sector coordination (IMF, FSB etc.)
- International coordination

Governance

- Effective peer review (UNCTAD etc)
- Doing business (World Bank)

Trade

- As an enhancer of growth and development: (WTO and regionally)



The Macro Dimension

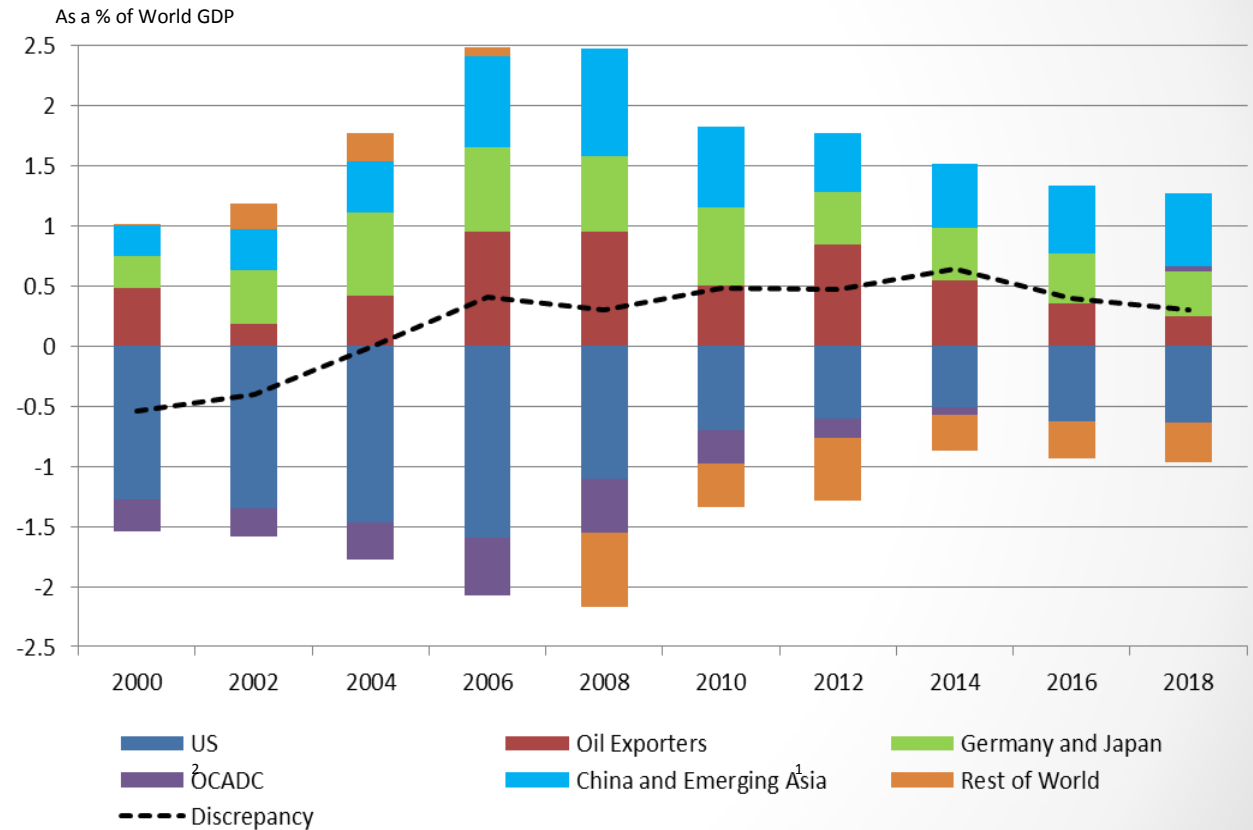
Sound macroeconomic policies:

- Appropriate fiscal and monetary policies
- Deep and liquid financial markets

Cross-cutting issues require coordination between Bretton Woods institutions :

- Global imbalances
- Currency manipulation
- Capital controls

Global Imbalances



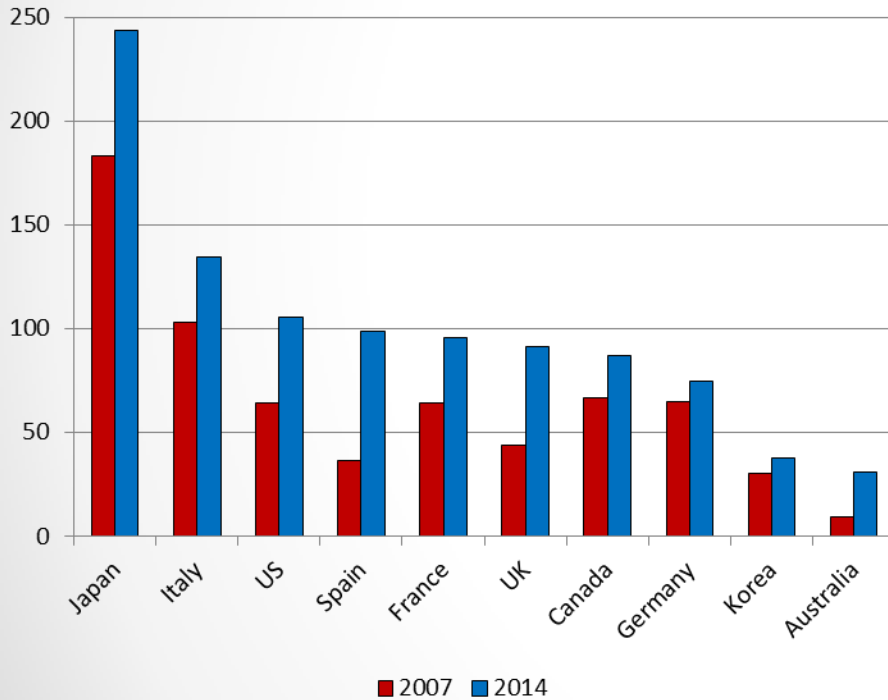
1: Emerging Asia includes: Hong Kong SAR, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, and Thailand

2: OCADC includes: Bulgaria, Croatia, Czech Republic, Estonia, Greece, Hungary, Ireland, Latvia, Lithuania, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Turkey, and the United Kingdom

Fiscal Adjustment Needed

Addressing the Debt Challenge

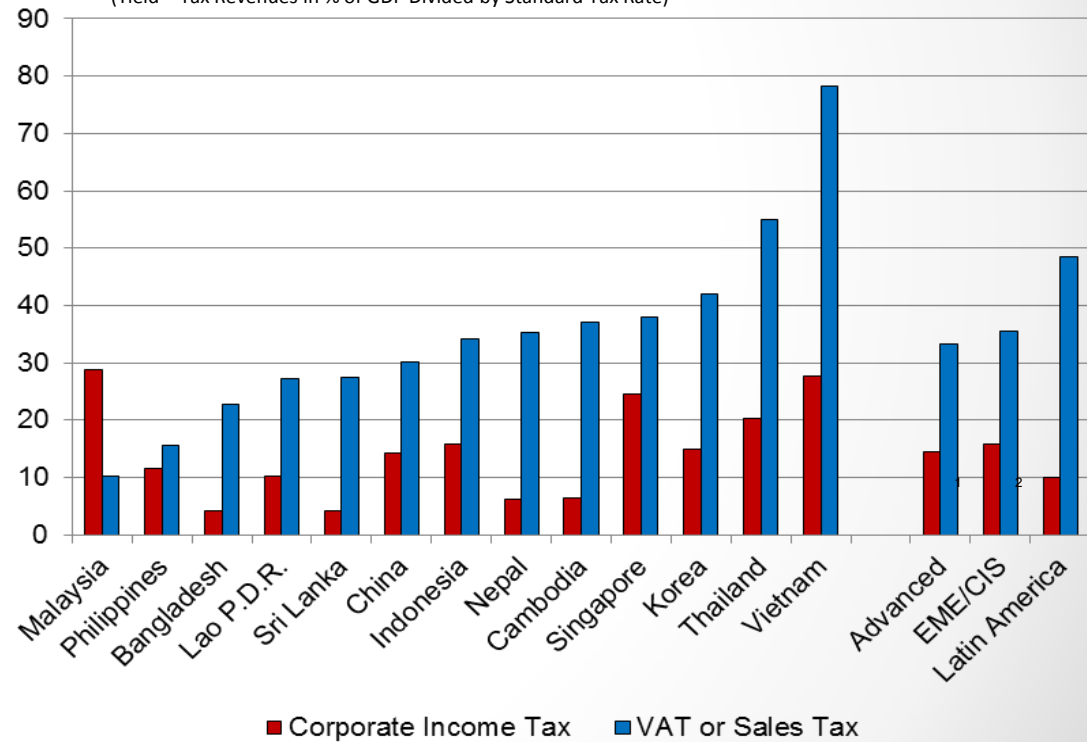
(Gross Debt as % of GDP)



Source: IMF World Economic Outlook Database (April 2014)

Selected Tax Yields (2011 or latest)

(Yield = Tax Revenues in % of GDP Divided by Standard Tax Rate)

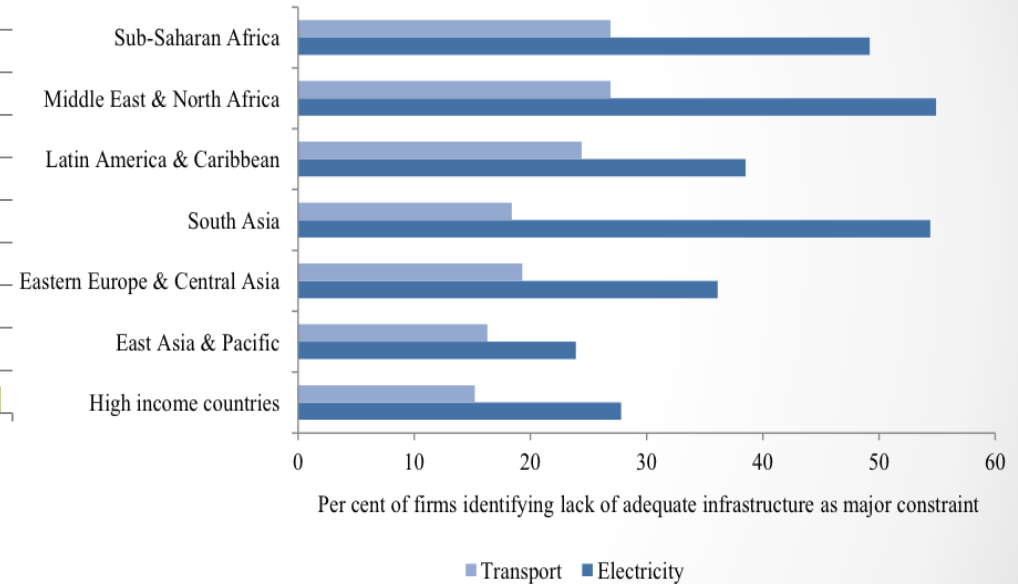
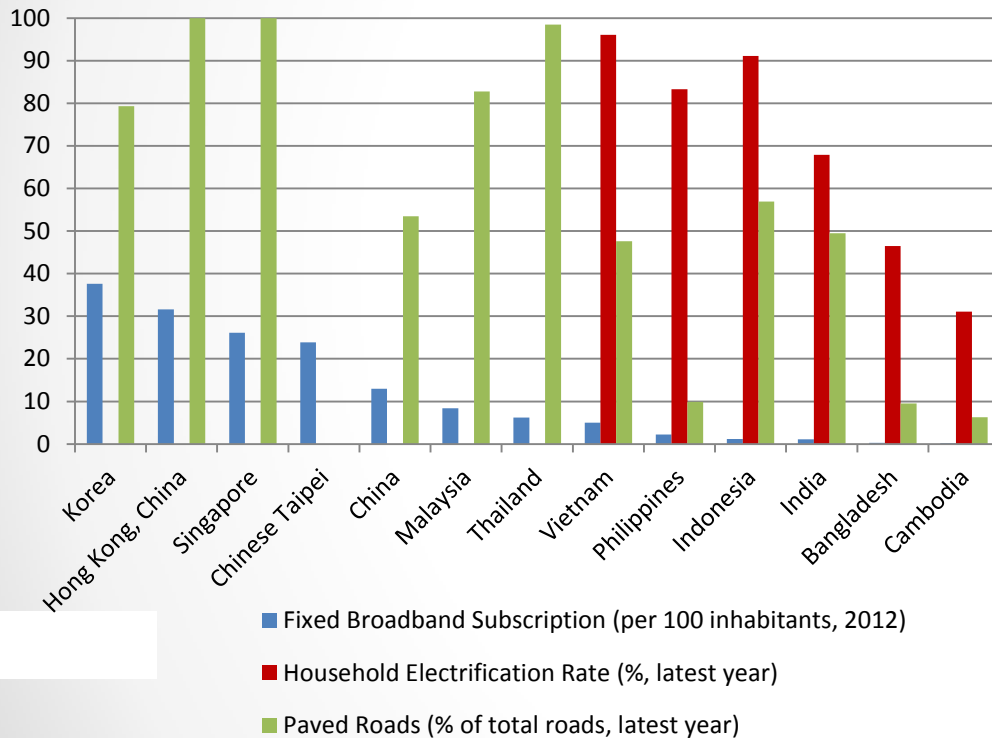


1: Excluding Asia
2: Emerging Europe and Commonwealth of Independent States

Source: IMF Regional Economic Outlook – Asia and Pacific (2013)

Economic Infrastructure Needed

Physical Infrastructure in Asia and Pacific



Source: Asian Development Bank: Key Indicators for the Asia and Pacific (2013)

Structural Reforms Needed

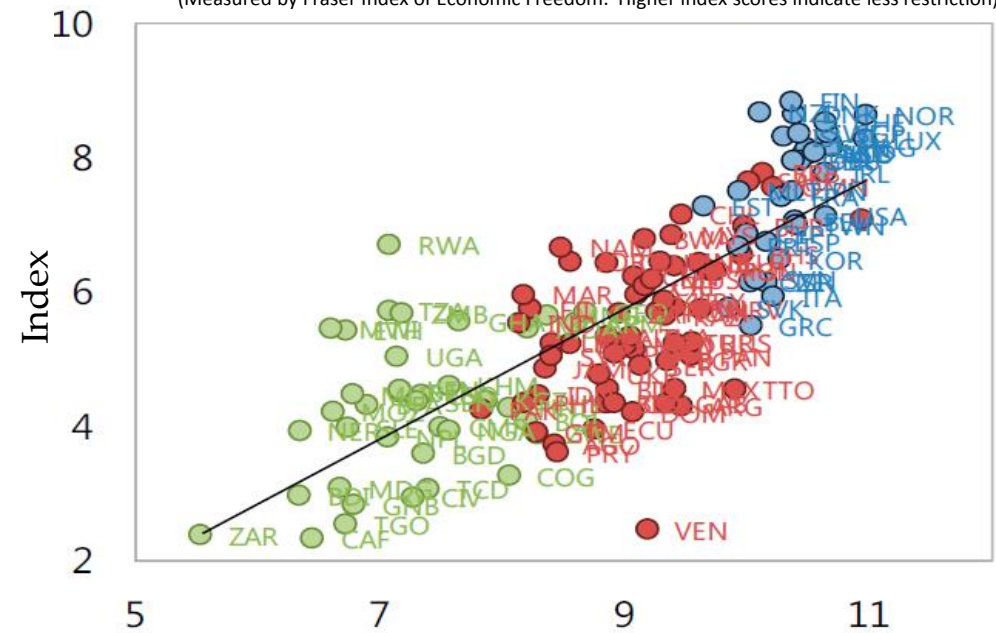
Number of Procedures Required to Start a Business

(WEF Global Competitiveness Ranking of 148 Countries)

RANK	COUNTRY/ECONOMY	VALUE
1	Canada.....	1
1	New Zealand	1
3	Australia.....	2
3	Georgia.....	2
3	Kyrgyz Republic.....	2
3	Macedonia, FYR.....	2
3	Madagascar.....	2
3	Rwanda	2
3	Slovenia.....	2
47	Switzerland	6
47	Turkey.....	6
47	United Arab Emirates.....	6
47	United Kingdom.....	6
47	United States.....	6
140	Algeria	14
140	Argentina	14
142	Bolivia.....	15
142	Brunei Darussalam.....	15
142	Uganda.....	15
145	Philippines	16
146	Venezuela.....	17

Relationship between Legal System and Property Rights and Growth

(Measured by Fraser Index of Economic Freedom. Higher index scores indicate less restriction)



- Advanced Economies
- Emerging Economies
- Low Income Countries

Enabling Sectors



FINANCE



TRANSPORTATION

TELECOMMUNICATIONS

ENERGY



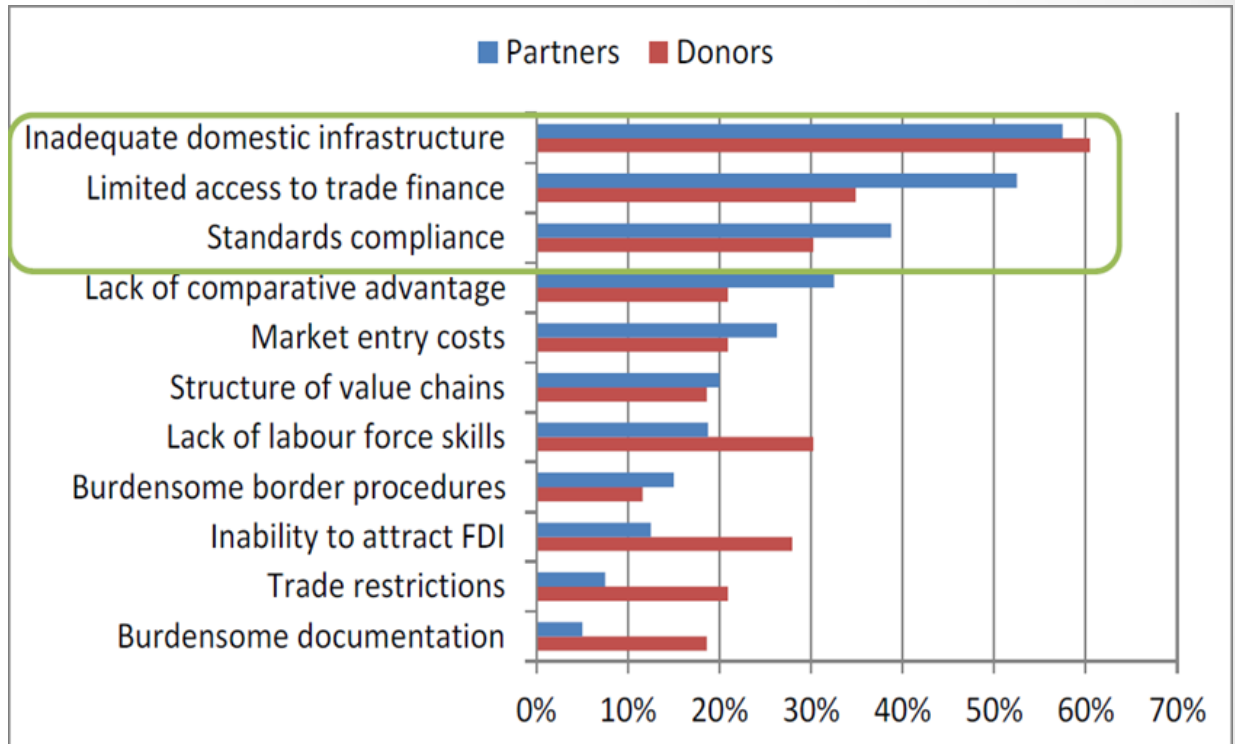
Promoting Value Chains

Enabling Value Chains

To thrive, GVCs also require an enabling environment:

- ✓ Trade and services infrastructure
- ✓ Supportive business conditions
- ✓ Sound fiscal and monetary policies
- ✓ Good governance

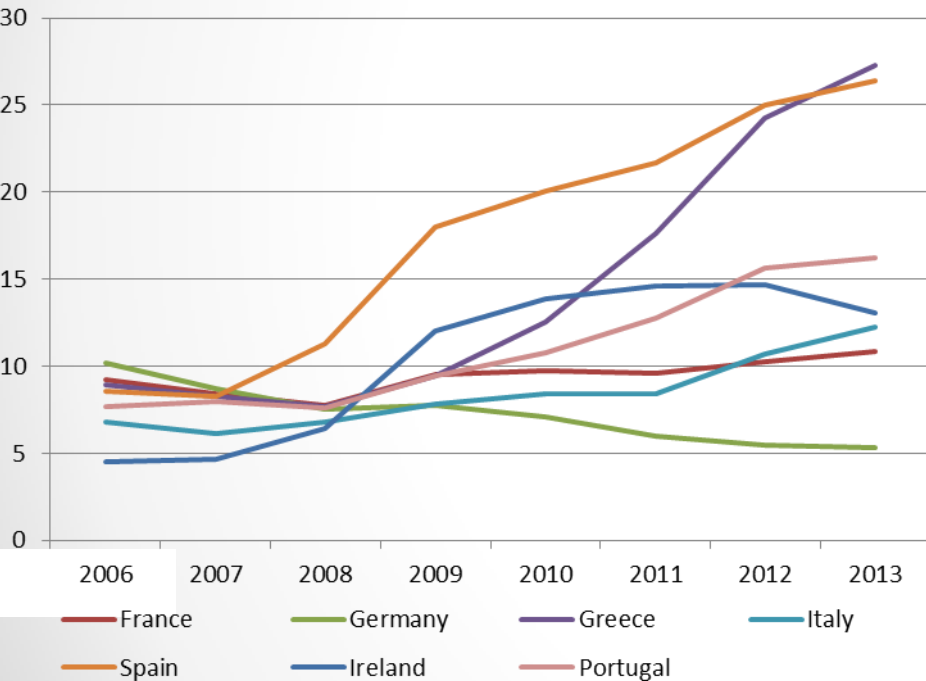
Main Barriers to Developing Countries Participating in Value Chains



Inclusivity and Equality

Unemployment Rate

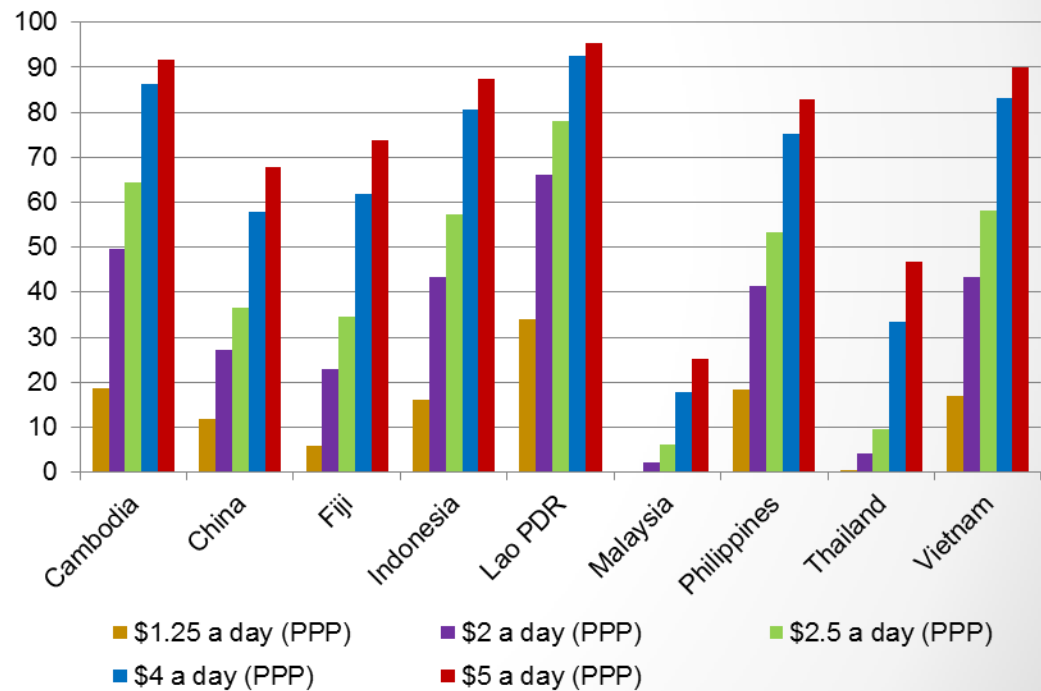
(% of Labour Force)



Source: IMF: World Economic Outlook Database (April 2014)

Population Below Selected Poverty Lines

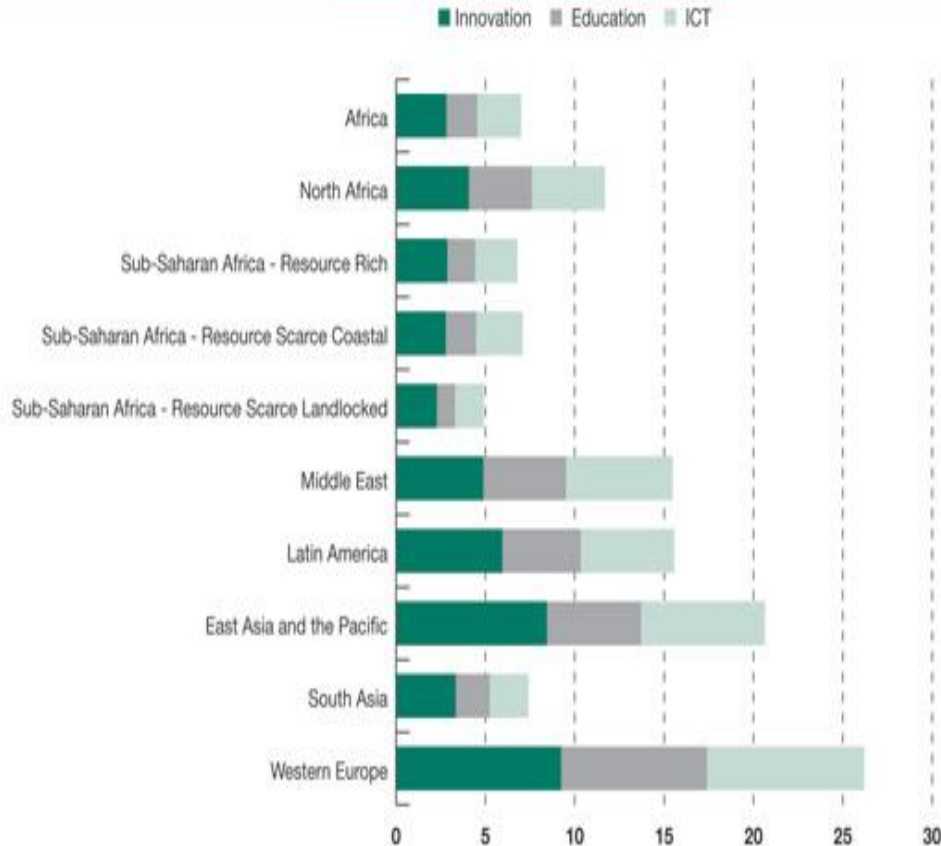
(% of population, latest country data)



Source: World Bank: Poverty and Equity Databank (2013)

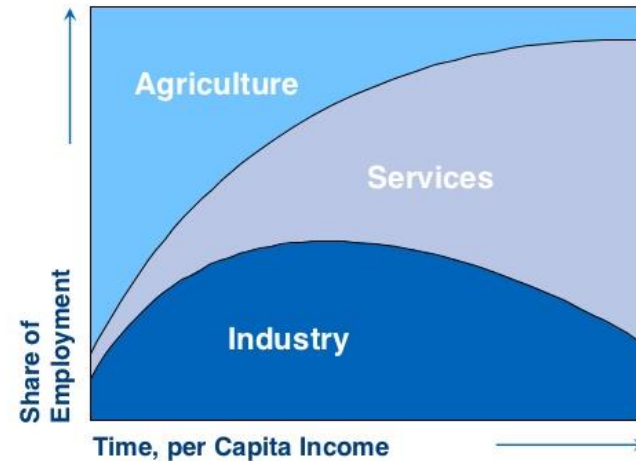
Structural Reform Must Include People!

Figure 24 - Knowledge Economy Indicator



Source: World Bank Knowledge Assessment Methodology (www.worldbank.org/kam).

Changing Structure of Employment as Economies Develop



Source: IMF, 1997

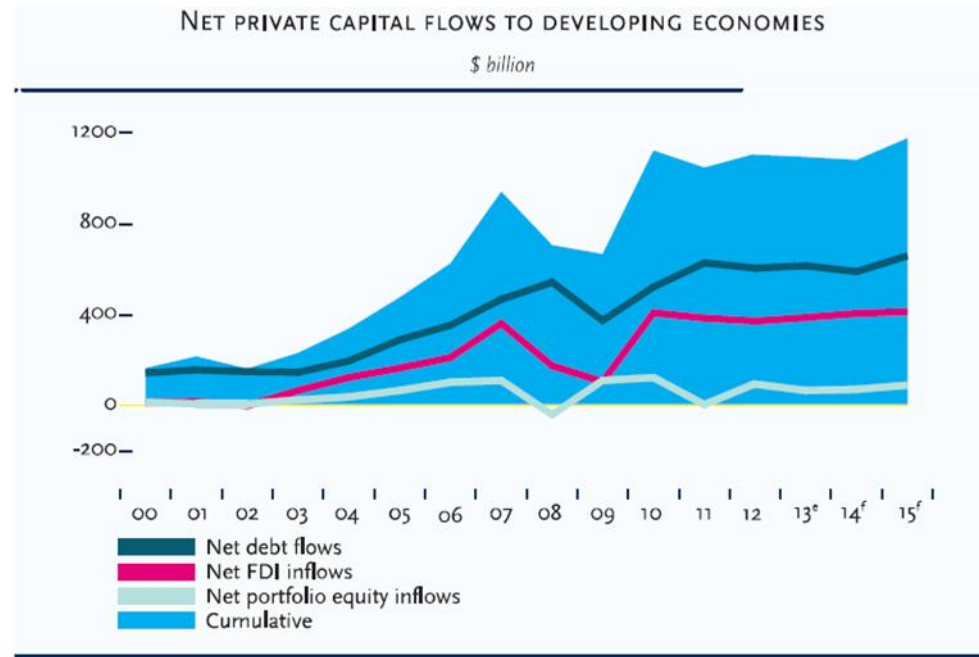
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Services Marketing 7/e

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How to Finance Structural Reforms?

- New infrastructure needed to increase trade, growth and development
- Regulatory reform requires capacity building
- Education and skills development requires investment

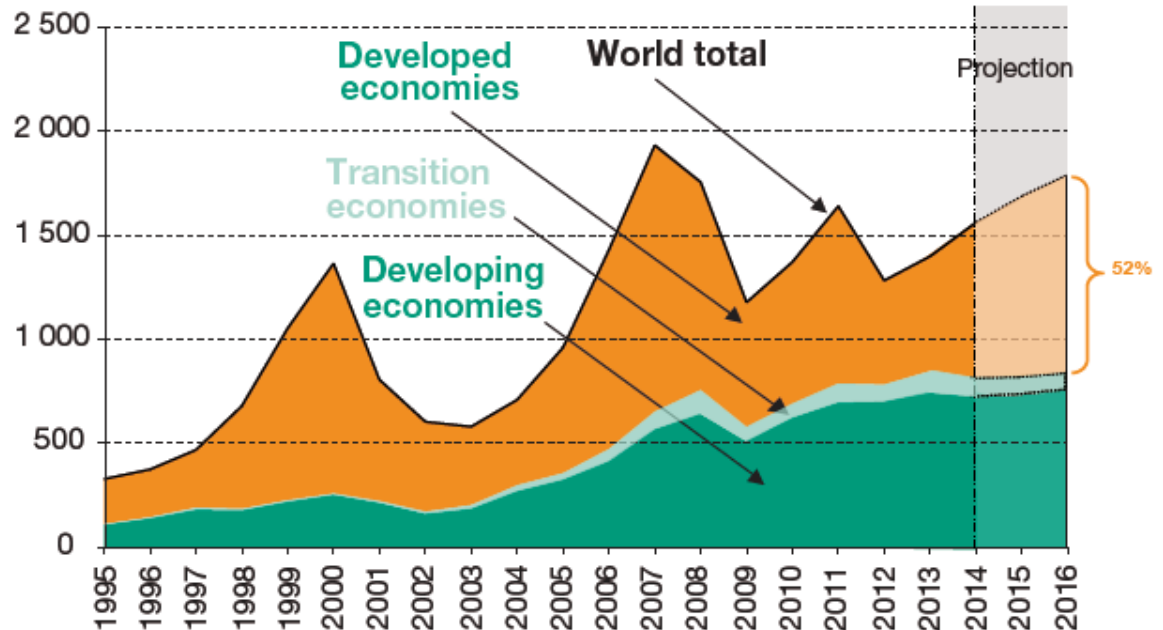


Source: World Bank
e= estimate; f= forecast




Investment Facilitates Development

- Over 80% of world trade is linked to the production networks of multinational firms.
- Firms, investment, and employment will gravitate to facilitating environments:
 - Open investment policies
 - Predictable and transparent regulation
 - Competitive services industry
 - Labour costs balanced to value-added production

FDI Inflows, Global and by Group of Economies
(USD Billions)



Where are the Mandates? (I) The Macro Dimension

- **The IMF**: Articles of Agreement, e.g., no restriction on exchange of domestic money for foreign money; mandatory surveillance 
- **Bank for International Settlements**: regulates capital adequacy and transparency of reserve requirements 
- **Financial Stability Board**: Recommendations to improve financial markets, e.g., strengthened prudential oversight of capital, liquidity and risk management; enhancing transparency and valuation; changes in the role and uses of credit ratings; arrangements for dealing with stress in the financial system. 
- **Basel Committee on Banking Supervision**: Supervisory Standards and Guidelines, e.g., statements of best practice in banking supervision (Basel III)
- **Financial Action Task Force**: Recommendations for combating of money laundering, financing of terrorism and proliferation of weapons of mass destructio 

Where are the Mandates? (II) Structural Reforms

- **The World Bank, Regional Development Banks:** Integrated approach to infrastructure and regulatory reform; Doing Business Report
- **OECD, APEC:** Sharing best practices, policy analysis
- **Independent Entities:** Transparency International, World Economic Forum



Where are the Mandates? (III) Trade and Investment

- **The WTO**

- Marakkesh Agreements
- TBT Code of Good Practices; Ministerial Decisions



- **Investment**

- Bilateral Investment Treaties
- OECD Guidelines for Multinational Enterprises
- UNCTAD Investment Framework for Sustainable Development



- **Trade-related Rule-Making**

- World Customs Organization: “Harmonized System”
- Sectoral Institutions: IMO, ICAO (transport); ITU (telecommunications); IEA (energy)
- ISO (manufactured goods, services); Codex Alimentarius, (Codes of practice, guidelines, recommendations relating to food safety); International Organization on Epizootics (animal health and safety), International Plant Protection Commission on Phytosanitary Measures
- Private Standards



National Architectural Issues in Rule-Making

Legislation
Regulation
Agency Delegated Authority
SROs



Police – Prosecution – Criminal Code - Competition
Finance: CB's– FSAs – SXC's
Trade: Trade Administration – Tax – Customs
Voluntary/Ad Hoc (eg Rating agencies, industry standard-
setting)

Conclusions

- Good macro policies, structural reforms, and the embrace of trade must accompany each other for sustainable growth
- Rule-making, both hard and soft, is an inherent element of the development agenda
- Think national-international, and across institutions

