

# Trade Policy and Institutional Agreements – Financing for Trade and Development

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# Disciplines on Trade-Related Issues

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- Intellectual Property
- Investment Measures
- Domestic financial liberalization
- Government Procurement
- Agriculture
- Labor – movement of natural persons
- Environment
- Non-Tariff Barriers



# Outline

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- **Financing Trade**
- Labor, Productivity, Industrial Upgrading



# Trade Policy Objectives

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- Trade as a means to development, not an end in itself
- Debt, trade, finance
- Financing Trade
  - Commodity export dependence
  - Manufactured goods exporters



# Compensatory Financing

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- **Commodity price dependence**
  - Volatile, subject to long-term price decline
  - External to domestic policies
  - Primary cause of external debt build-up
- **Compensatory Financing Facility**
  - To help countries cope with temporary exogenous shocks affecting export earnings without resorting to undue and unnecessary adjustment



# Long-term versus Short-term

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- In long term, export diversification away from commodity exports
  - Policy space
  - Domestic financial resources for industrial investment
- In the short-term
  - Compensatory finance
  - Independent of policy conditionality
  - Since 2001: only available at high conditionality



# Existing Compensatory Finance

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- Level of facility too small for external shocks
- Not automatic – depends on existence of an IMF program
  - Even though the source of shock is external
  - Use of governance indicators to determine access to finance
- No compensatory finance for trade liberalization – loss of revenues from tariff reductions



# Non-Debt Creating Finance

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- **Special Drawing Rights**
  - Allocation as stimulus
- **Global Political Constraint**
  - US exceptional privilege to provide world liquidity
  - Technically preferable
    - Require deficits on part of reserve providing country
    - Brought to global crisis level



# External Funding for ‘Trade Adjustment’

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- Non-Debt Creating





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# Labor, Productivity, Industrial Upgrading

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- Passive vs. Strategic Integration with International economy
- Textile and clothing quota regime – emergence of T&C sector based on
  - cheap labor
  - little industrial upgrading
  - almost no effort in firming up market access



# Post Quota Developments

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- Increased market shares for integrated countries
  - China, India, Pakistan
- Declining market shares for countries that relied solely on cheap labor – collapse of industry
- Cheap labor – not a sustainable basis for export-oriented growth



# Post Quota Developments

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- Women's search of alternative sources of income and employment
- Increased capital-intensity, in pursuit of competitiveness, has been inducing substitution against women workers
- Is national policy possible or should countries "let the market decide"?

# UNDP Regional Trade and Investment Programme in Asia Pacific

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Maraming salamat po

Ahsante, Mahalo, Спасибо, Vinaka,  
Kiitos, 谢谢, Obrigado, شكراً  
Tesekkür ederim, Gracias,

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