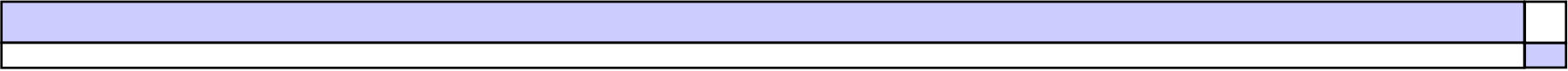


Trade Policy and Institutional Agreements – Financing for Trade and Development

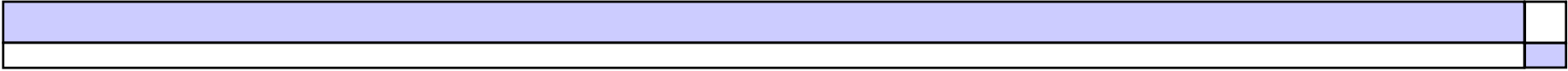
Manuel F. Montes

6 July 2009



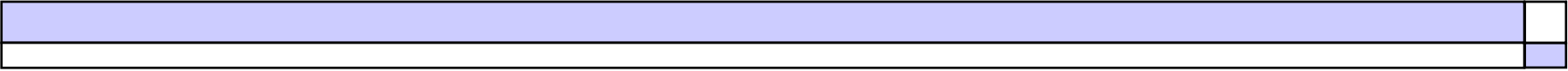
Disciplines on Trade-Related Issues

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



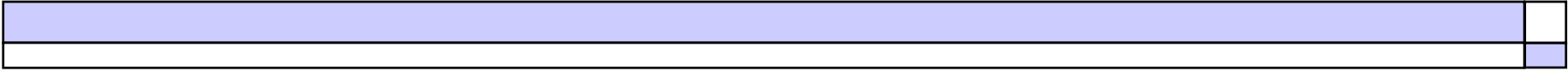
Outline

- Financing Trade
- Labor, Productivity, Industrial Upgrading



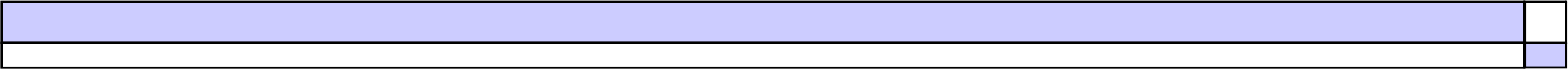
Trade Policy Objectives

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



Compensatory Financing

- **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



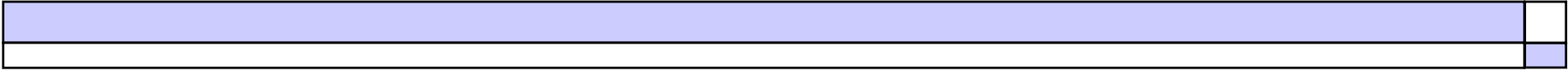
Long-term versus Short-term

- In long term, export diversification away from commodity exports

- Policy space
- Domestic financial resources for industrial investment

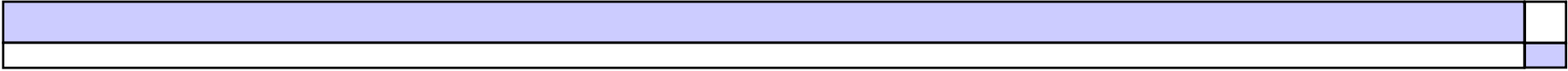
- In the short-term

- Compensatory finance
- Independent of policy conditionality
- Since 2001: only available at high conditionality



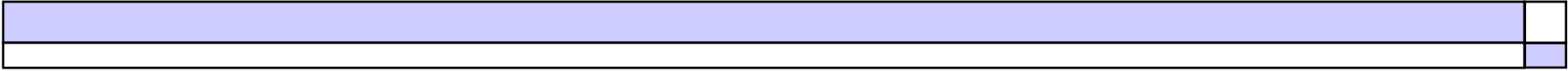
Existing Compensatory Finance

- 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

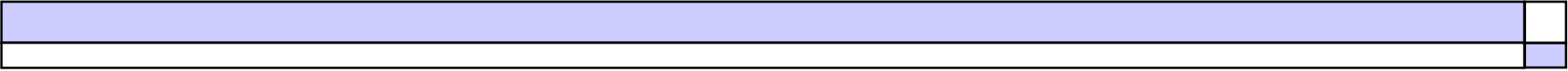
- **Special Drawing Rights**
 - Allocation as stimulus
- **Global Political Constraint**
 - US exceptional privilege to provide world liquidity
 - Technically preferable
 - Require deficits on part of reserve providing country
 - Brought to global crisis level



External Funding for ‘Trade Adjustment’

- Non-Debt Creating





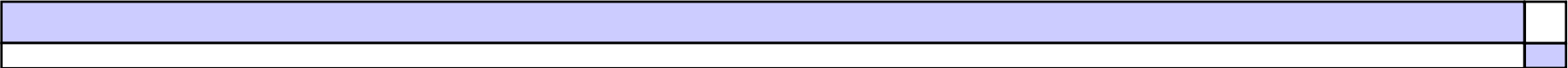
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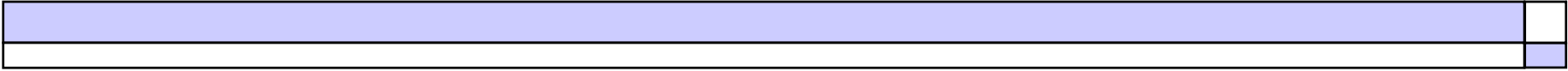
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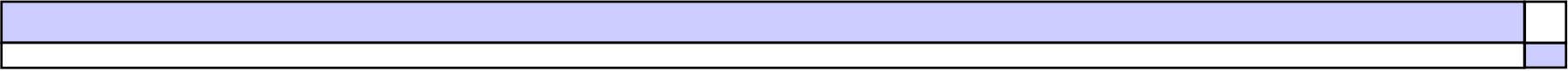
Labor, Productivity, Industrial Upgrading

- 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

- 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

- 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

Maraming salamat po

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

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