Inter-Ministerial Coordination in Trade Policy Making:

Coherence and Complementarity in a changing environment

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Trade policy is intersectoral by nature, and thus co-ordination and co-operation among the numerous trade policy actors is critical. Ministries of trade, economics, infrastructure, agriculture, industry, just to name a few, must work together to ensure efficient policy.[1] Such coordination is even more vital when international trade is faced with "new realities" that require fundamental changes in the scope and priorities of trade policies.

Effective Inter-Ministerial Coordination (IMC) is crucial to ensure coherence and complementarity in trade policy making & implementing. This policy brief addresses the following questions: What are the new realities in world trade? How could better IMC mechanisms help countries adapt to this new changing environment? What could developing countries (and LDCs) do to face these challenges?

New realities: What has changed since 2001?

The world has witnessed "new realities" of international trade, including changes in the direction of trade flows and patterns of trade growth, that require fundamental changes in the scope and priorities of trade policies. Since the start of the Doha Development Agenda in 2001, some developing countries, the so called emerging economies, have become the world's biggest traders resulting in increasing South-South trade and competition in the market. A move toward a more "multipolar" world has generated additional growth poles that alter the previous balance of global growth[2] and power.

Trade objectives of emerging economies are changing too. Many developing countries are now concerned about keeping food prices in check while continuing to request rich countries to reduce subsidies. Countries like India and Brazil are now more worried about cheap imports from China than about imports from the rich world.[3] In essence, they might be more willing to open their markets to developed countries if doing so would not simultaneously lead to more imports of low priced Chinese goods.[4]

On the other hand, new challenges have also arisen such as climate change, migration, financial instabilities, refugees, conflicts and wars, unemployment and job perspectives for youth[5] that affected country's policy environment and trade response. These new challenges are interconnected, require global solutions and need to be tackled from a multi-disciplinary perspective (cross-sectoral). The multilateral trading system is hard pressed to respond to these challenges and to incorporate some of the non-traditional topic into the trade negotiation agenda, such as environmental degradation and climate change. Likewise, at the national level, governments need inputs from different ministries (involving

[1] WTO (2011), Third Aid for Trade Global Review, p. 142, available from http://www.wto.org/english/res_e/booksp_e/a4t11_2_chap_e.pdf

[2] World Bank (2011), "Global Development Horizons Report. Multipolarity: The New Global Economy", available from http://siteresources.worldbank.org/INTGDH/Resources/GDH_CompleteReport2011.pdf

[3] For an analysis on the food crisis and the future of the multilateral trade system see Prof. Saner contribution to the Seminar "Beyond the crisis: The future of the multilateral system", organized by the Foundation Ramón Areces and the OECD Development Centre, Madrid, 4-5 October 2010. Available from http://www.csend.org/component/docman/doc_download/310-20110124-agriculture-a-food-security-rspdf

[4] See Briefing Paper by CSEND 2011 'Doha stalemate: Implications and ways forward' at http://www.diplomacydialogue.org/publications/trade-diplomacy/105-dohastalemate-implications-and-ways-forward-csend-policy-brief-genevaaugust-2011

[5] Evian Group Communiqué (2011), "Countdown to Doha 2011 The Imperative for a Collaborating World", available from http://www.imd.org/research/centers/eviangroup/upload/JPL_Communiqué_Countdown-to-Doha.pdf

different trade issues) and constituency groups in order to achieve national consensus and develop effective trade policies and negotiation strategies.[6]

What is the importance of Inter-Ministerial Coordination in this new changing environment?

Lack of policy coherence often leads to sub-optimal national responses and ineffective policy design. Inter-Ministerial Policy Coordination (IMC) is a must when a country faces complex and interconnected cross-sector challenges like climate change, migration, financial instability, refugees, conflicts and wars, unemployment and job perspectives for the youth which affect trade policy directly and/or indirectly. Effective inter-ministerial trade policy co-ordination is based on achieving three targets namely eliminating redundancy of policy and projects; achieving policy coherence and reducing fragmentation resulting from cross-cutting issues [e.g., trade and human rights, environment sustainability, and gender equality]; and integrating numerous international trade agreements and trade policies in a coherent manner.[7]

Through improved IMC mechanisms developing countries and LDCs could achieve more effective trade facilitation initiatives and better Aid for Trade surveillance, lately reducing the costs of trade, and improving implementation of the existing trade agreements.[8]

However, without broader policy consultation with economic and social partners, IMC alone cannot achieve national consensus on trade policy objectives. IMC and stakeholder consultation processes are complementary and need to be conducted in during all stages of policy making namely: 1) initiation; 2) formulation; 3) implementation; 4) evaluation; 5) monitoring.

In the case of the LDCs, Poverty Reduction can be achieved through better alignment between the development and trade policy agendas. Improving on existing coordination and consultation practices requires a well designed and functioning process monitoring system. Countries need process monitoring systems to keep abreast of current practice which in turn provides them with the possibility to continuously improve institutional performance and organisational learning.[9]

What could developing countries (and LDCs) do? The case of tourism

A better functioning IMC mechanism could help developing countries (and LDCs) better coordinate and structure trade strategies and cover different transversal subjects across Ministries. Also, vertically, it could help increase coherence among the compromises that LDCs (and also developing countries) might take at multilateral levels as well as bilateral and regional levels in exchange for trade concessions requested and obtained from trade partners.

Tourism is one example of a cross-sector challenge due to its inter-connection with other sectors like agriculture, transport, infrastructure, etc. Tourism strategies require intense coordination among ministries including those with mandates not directly related to tourism, but which nevertheless govern policies that impact the tourism industry.[10]

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[6] For instance, negotiations at WTO and UNFCCC are both in limbo putting at risk international cooperation in key sectors of world development. International governance options are urgently needed to strengthen multilateral negotiations at the WTO and UNFCCC to avoid full deadlock and possible major trade and environmental conflicts. For "out of the box thinking" solutions see Saner (2011) "International governance options to strengthen WTO and UNFCCC", CSEND Policy Brief, available from http://www.diplomacydialogue.org/component/docman/doc_download/109-20110611-international-governance-options-to-strengthen-wto-and-unfcccpdf

[7] Saner, Raymond (2010), "Trade Policy Governance through Inter-Ministerial Coordination: A Source Book for Trade Officials and Development Experts", Republic of Letters - Publishing, Dordrecht.

[8] For an assessment of Transport and Trade Facilitation in Uganda, Rwanda and Tanzania, see http://csend.org/component/docman/doc_download/272-20100701full-report-assessing-transport-a-trade-facilitation-in-uganda-rwanda-and-tanzania-mpa-c. This paper was included as a case study in the WTO/OECD Aid for Trade and LDCs Study2011.

[9] For an analysis on IMC and Stakeholder Consultation see the CSEND Report (2010) http://www.csend.org/component/docman/doc_download/264-20100730-summaryreportofbookvernissagepublishableversion4pdf

[10] For concrete recommendations to develop tourism policies in LDCs, see the CSEND document adopted by the Sub- Committee on LDCs and Council for Trade in Services (WT/COMTD/LDC/18, S/C/W/328), available from http://docsonline.wto.org/GEN_viewerwindow.asp?http://docsonline.wto.org:80/DDFDocuments/t/WT/COMTD/LDC18.doc. For more information on IMC and tourism development see information and documents of two Round Tables organized by CSEND in 2010 and 2011 respectively, available from the following links: http://www.csend.org/announcements/whats-new/256-round-table-at-wto-on-sustainable-tourism and http://www.csend.org/related-information/280-2nd-round-table-on-tourism

Effective tourism strategies can create sustainable income generating opportunities and provide employment needed to absorb large numbers of semi-skilled or unskilled workers. Such strategies require investment in the tourism industry itself, i.e., hotels, transportation, catering and restaurants, but also entail investments to strengthen forward linkages to value chains and backward linkages to supply chains. The absence of integrated development approaches such as project investments ranging from infrastructures to game parks impedes the higher rates of return that would otherwise be possible.[11]

For LDCs facing resource constraints and limited factor conditions in terms of infrastructure and human capital, it is necessary to underscore the significance of coherence in policy instruments being employed to address these conditions. Such policy coherence can be attained through better alignment within a national tourism development strategy resulting in concerted national and international efforts to support domestic tourism performance. International assistance programmes, if well used, could have a catalytic role in strengthening national capacity to deliver superior tourism services and generate greater economic growth.

The Centre for Socio EcoNomic Development (CSEND) has recently launched a policy analysis that seeks to assist the LDCs in harnessing development opportunities by providing a comprehensive overview of existing international development instruments, i.e., Diagnostic Trade Integration Studies (DTISs) and their Action Matrices, Poverty Reduction Strategy Papers (PRSPs), and reviewing their alignment with the national tourism development strategies, investment policies and tourism related trade arrangements.[12]

The study of 14 country cases suggests that successful tourism development depends on making use of international aid commitments and on creating effective national governance capacities and capabilities. Without such governance instruments, government agencies and ministries are confronted with aid fragmentation in terms of tourism development and miss out on opportunities to limit counterproductive inter-ministerial struggles for policy space. Analysis of the study demonstrated this fragmentation and shortcoming.

Tourism ministries alone are unable to take sole policy leadership on issues that are cross cutting and encompassing longer term impacts such as sustainability and preservation of national tourism capital. Targeting capacity building in inter-ministerial coordination and develop institutional leadership would be one important step toward greater government ownership and enhanced government capabilities in managing development resources.[13]

Conclusion

Economic competitiveness can only be attainable through better policy coordination and strengthened value chain integration. Since different elements of the supply and value chain are linked to particular Ministries, mechanism and practice of IMC becomes crucial to ensure successful implementation of trade policy. Without successful IMC, ministries will not harmonize their policies and a comprehensive value chain approach cannot be implemented.[14]

A fragmented approach to trade development is not sustainable. IMC is crucial in bringing about coherence and complementarity to the trade policy making process. In turn, IMC can greatly strengthen the policy impact and trade results of a well designed integrated trade policy.

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[11] For an analysis on the value chain in LDCs, see Saner, Raymond, Yiu Lichia with Bhatia Alka study for UNDP "Commodity Development Strategies in the Integrated Framework" (2009) available from http://csend.org/publications/development-a-int-rel/48-commodity-development-strategies-in-the-integrated-framework

[12] The report is available from http://www.csend.org/trade-policy-governance/trade-a-tourism/item/287-mainstreaming-tourism-development-policy-coherence-and-complementarity-2011

[13] For an overview of upgrading trade institutional capacity see UNCTAD´s Trade and Development Board (2003), Note on Capacity Building, p.14. Available from http://www.unctad.org/en/docs/wpd168_en.pdf

[14] CSEND Training Manual on Inter-Ministerial Coordination and Industrial Policy Making (2011) (Unpublished).