

# POLICY COHERENCE



Marianne Schaper

*High Level Meeting on Fostering a Mutually-supportive Trade and Environment Regime: Perspectives and Lessons Learned at Regional Level*

Geneva, 20 November, 2007

## Coherence: definition

- **OECD:** Coherence may be defined as a policy whose objectives, within a given policy framework, are internally consistent and attuned to objectives pursued within other policy frameworks of the system.
- **WTO:** Coherence is the result of policy-makers achieving greater harmony between trade policies and other economic policies, e.g., macroeconomic, financial and development

## Sustainable Development and coherence

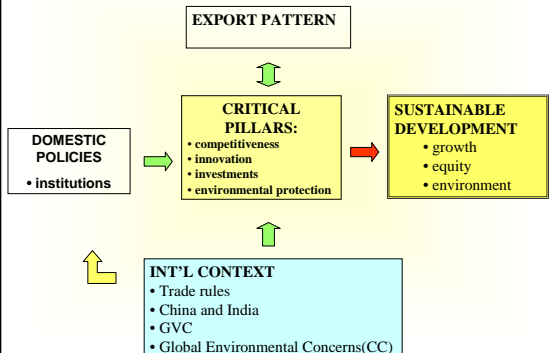
- Organizing principle for global policies, **ensures coherence** by pushing for greater interaction between policies. Requires cross-disciplinary coordination to meet a balanced co-existence of **economic, social and environmental** needs of societies, **None of these needs is more important than the other**
- Acceptance of concept of SD at the very highest levels of policy making. Centre-piece of the international community, at least at the declaratory level, in:
  - trade negotiations (Doha)
  - financing for development (Monterrey)
  - climate regime (Kyoto)

## Creating the right framework conditions

**Global decision-makers have not built the right framework conditions for implementing SD agenda**

- Difficulties of key institutions and actors responsible for decisions in ensuring **coordination mechanisms**
  - disconnection between decisions in different international fora and implementation of concrete policies
  - Institutional resistance and lack of ability and skills to deal with complexity of interlinkages embedded in SD
- Global Policies in areas such as agriculture, trade, investment, intellectual property, services, environment, etc. should become **more inclusive of Southern concerns**
- Development policies should no be conceived mainly in terms of development assistance (ODA, A4T...)

## General Framework for Policy Coherence



## INTERNATIONAL CONTEXT: adds Complexities

- **Dynamic markets, fast technological changes, and new market access requirements:** deepening with climate change concerns
- **Global value chains (GVC):** fragmentation of production worldwide, access to GVC is relevant for specialization in commodities or moving up to higher VA stages
- **Growth of important Asian economies:** impact on regional commodity specialization, vulnerability to price fluctuations, could reduce export diversification
- **Trade Rules:** challenges for strategies and policies
  - Market access, anti-dumping, countervailing duties, SPS...
  - "Behind the Border" : Intellectual Property Rights, Subsidies, Services, Investments, Public Procurement...
  - Resources for development support

## TRADE RULES: Challenges for Policy Strategies in LAC

- **Market access and fair treatment to LAC countries:** traditional mechanisms: tariff, rules of origin, import licensing procedures... solutions to subsidies, anti-dumping, misuse of technical or health standards...
- **Policy Space for SD:** trade liberalization must be combined with active policies for foster productive sector development, fostering linkages and complementarities, innovation and technology transfer processes. "Behind the border measures" and other international rules might limit active policy implementation
- **Resources for Development Support:** access to net resource transfers for financing institutional adjustments and enhancement of capacities. Aid for Trade is an expression of this concept, but should not be subject to policy conditionalities

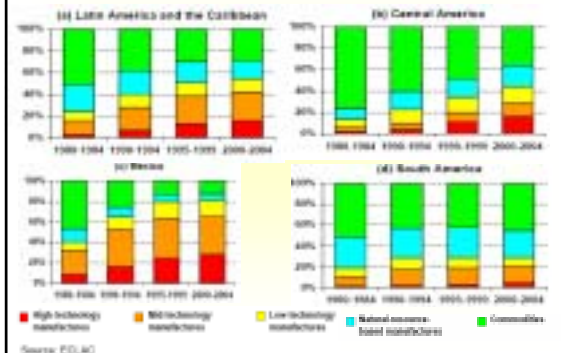
## TRADE RULES AND POLICY SPACES

- Trade related **Investment** measures (Trims)
  - Less space for sector selectivity
  - Strategies of FDI and access to GVC need to be considered
- Protection of **Intellectual Property Rights** (Trips)
  - Access to knowledge and technological diffusion more difficult
  - Need of creative implementation – complementary policies (competition, innovation)
- Trade in **Services**
  - More margins than in goods (subsidies and public procurement)
- **Subsidies**
  - Less space for selective policies (in industrial goods).
- **Environment**
  - More international cooperation
  - Difficulties with coherence (i.e Climate Change and Trade)

## LAC Export Pattern

- Requirements for a **Sustainable Development Friendly Export Pattern:**
  - Products with higher technological content, dynamic, cleaner and with spillovers to the rest of the economy – better wages, productive linkages, productivity increases → **competitiveness**.
- **LAC Export Pattern:**
  - Heterogenous –3 pattern- based on static comparative advantages (natural resources, environmentally sensitive industries and cheap labor)
  - Lack of progress in relevant services for competitiveness, and products with higher technological content often just output of final assembly stage of large companies, without linkages to the rest of the economy
  - Role of FDI
    - Search for Natural Resources and access to large domestic markets
    - Search for efficiency in Integrated Production Systems
    - Often oriented to Environmentally Sensitive Industries

## Technological and natural resource intensity of LAC exports



## LAC domestic policy challenges

- It is recognized that increasing trade flows in LAC is not sufficient to bring about improvements in welfare
- Lack of connection between modern export sectors and the rest of the economy
- Persistent inequality in the region, the most inequitable in the world
- Alarming environmental indicators (forest cover and biodiversity loss, pollution, desertification, etc.)

### CRITICAL PILLARS

Competitiveness  
Innovation  
FDI  
Environmental Protection  
Equity

## How can export pattern contribute to sustainable development?

- Requires incorporating environmental costs into **price signals** for an efficient resource allocation. This process is not spontaneous, public policies are needed
- Importance of balancing and understanding the interaction between the economic, social and environmental impacts of trade policies, **rather than looking at one issue in isolation of another**.
- Consider ex-ante **impacts assessments** as a tool to guide trade policy-making in the direction of sustainable development, as opposed to addressing the after effects
- Countries need the policy space and adequate regulatory framework for **guiding FDI** flows to priority sectors, (for technology transfer, raising capacity and productivity)

**Thank you !**



[www.eclac.org/dmaah](http://www.eclac.org/dmaah)