

TRADE GOVERNANCE STRUCTURES: WORKING TOGETHER FOR A BETTER FUTURE

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What is trade? Trade as per the Oxford English dictionary is the action of buying and selling of goods and services. A trade is the transfer of ownership of goods or services from one person or entity to another in exchange for other goods or services or for money. In simple words a trade is the exchange of one item for another. The concept of trade in its original sense is essentially a barter which saw the exchange of goods and services for other goods and services without the use of money. The concept of trade is a basic economic concept. This concept of trade has evolved and has now become one of the main criteria's which influences the growth of a country's economy. The concept of trade becomes an international concept when there is an exchange of goods and services across national borders. Such a trade is known as international trade. The concept of trade has evolved over time which can be attributed to a number of factors such as globalization, growth and advancement in technology, better transportation facilities, effective governmental policies and regulations both within a country and outside of it, establishment of various organisations like the World Trade Organization (WTO), the World Customs Organization (WCO) etc. to ensure a smooth flow in trade related activities between countries. The evolution of trade or commerce has led countries to make better laws and policies governing such trade activities. Organizations like the World Trade Organization (WTO) have conducted ministerial-level meetings to address trade related issues, for example the DOHA Development Round which is the current trade-negotiation round of the WTO, its objective is to lower trade barriers around the world thus facilitating increased global trade. In several countries, international trade represents a significant part of GDP. Strategies are being planned, tried and adopted in relation to a country's import and export activities to ensure better trade practices.

This paper titled "TRADE GOVERNANCE STRUCTURES: WORKING TOGETHER FOR A BETTER FUTURE" aims to look at some of the trade governance structures that can be adopted by various countries which prepare to design their future trade strategies from 2015 onward. Some methods to tackle the current challenges and trade related issues particularly raised by public sentiment in this increasingly complex system have also been addressed. Public concerns and important questions that should be kept in mind by the policy makers while formulating important policies have also been dealt with in this paper.

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What is the need for a trade governance structure? With the evolution of trade related activities due to the influence of several factors such as globalization, industrialization, better market economy etc. there is a need for formulation of better policies and strategies governing trade related aspects. This can be achieved through trade governance structures which help in putting in place the right economic policies and strategies and thus ensuring a better trade regime. Trade governance structures also help in promoting economic growth and sustainable development thereby playing an active role in the global trading system.

Trade governance structures can be helpful to determine the formulation of rules, policies and strategies that can be adopted. For this trade governance structures are required to be essentially classified into governance structures at the national or regional level and governance structures at the global level. This form of a governance structure is already being followed by the World Trade Organization. The following governance structure is to a large extent drawn along the lines of that followed by the World Trade Organization (WTO).³⁵⁰

At the global level two governing bodies are required: one body which is composed of all the least-developed countries and other agencies and organizations which will serve as the overall governing body whose functions will be to:³⁵¹

- Establish overall policy direction and oversee the work of the governance structure as a whole
- Keep under review all the overall effectiveness of the operations of the governance structure
- Promote coordination among the participants
- Ensure transparency of the governance structure

and another body which composes of representatives from each of the agencies and three representatives from the least-developed countries, this body will serve as the key decision-making body for operational and financial related matters and whose functions will include:³⁵²

- to supervise the management of the governance structure
- provide policy direction to the Executive Secretariat of the governance structure

³⁵⁰ Governance structures, World Trade Organization (WTO),
https://www.wto.org/english/tratop_e/devel_e/teccop_e/governance_struct_e.htm

³⁵¹ Governance structures, World Trade Organization (WTO),
https://www.wto.org/english/tratop_e/devel_e/teccop_e/governance_struct_e.htm

³⁵² Governance structures, World Trade Organization (WTO),
https://www.wto.org/english/tratop_e/devel_e/teccop_e/governance_struct_e.htm

- take funding decisions in accordance with the approval process in relation to a trust fund
- monitor, review and evaluate country-specific progress and operations, including on the basis of in-country monitoring reports.

One of the important features of trade governance structures is to strengthen trade related activities in the least-developed countries, this can be done by proper management, implementation and monitoring of the functions of the governance structures.

At the national level the respective government may appoint a body who will have the following functions:

- oversee the functioning of other bodies established as per the governance structure and advise the government regarding the staffing and operations
- it shall work closely with the relevant ministries, the Executive Secretariat and other development partners to ensure that technical assistance projects are mainstreamed into poverty reduction plans or other development plans.
- It shall report to the respective government and the Executive Secretariat on the progress of the trade governance structure.

A second body shall be appointed to coordinate and strengthen the activities of the first body and also be responsible for the implementation of various policies and schemes at the national level. This body shall be supervised by the first body. This body shall:

- Work with the Ministries of Trade, Finance and Planning, and other Ministries and trade-related institutions, such as the Chamber of Commerce, the private sector and civil society to ensure coordination at all the stages of the governance structure.
- Work closely with the Executive Secretariat, facilitator and other agencies for the preparation of a study, for project proposals and other activities, as appropriate.
- Monitor the implementation of projects made by a third body whose functions will be discussed below, and reports the progress of the same to the Executive Secretariat. Organizes implementation meetings as appropriate to assess the progress.
- Works closely with all relevant partners to assist in the inclusion of a trade integration strategy and its priorities in the poverty reduction plans or other national development plans.
- Prepare its multi-year work plan and a detailed annual operational plan.

For the above body to work effectively, it is important that the government gives the above body the necessary authority and provide support. What is important is that the above body is there to support the first body in the management of the governance structure.

A third body which will be a high-level inter-ministerial body shall be appointed in countries to provide senior level engagement and coordination on trade policy and to provide political commitment. The functions of this body will include the following:³⁵³

- To monitor the overall governance structure process and activities, including mainstreaming trade into the country's poverty reduction plans and other development plans.
- To ensure effective coordination among the least-developed countries government institutions, the private sector, civil society and other agencies.
- Based on the second body's proposal, it shall approve projects in consultation with the facilitator and the Executive Secretariat.
- To ensure that trade-related issues are included and receive due attention in development partner's conferences and other meetings.

This body should work closely with the governmental committee in charge of the National development plans, the poverty reduction plans or similar. It is advisable that this body be composed of high-level members of the least-developed countries government, for instance from the Trade, Finance, Planning and Development Ministries, and representatives of civil society and private sector.

To provide an effective response the governance structure agencies and development partners need to work together through local processes. It is vital that a body to be known as the "facilitator" be appointed who is well adapted to the local situation and who shall be appointed in consultation with the local authorities. The main role of the facilitator is to help mainstream trade into development partner programming to ensure timely implementation of the plans and policies. Development partners can help ensure effectiveness, harmonization, exploring the possibilities for pool funding arrangements etc. for the implementation of the plans. The facilitator assists the least-developed countries government to enlist and coordinate development partner responses. The facilitator informs the development partners and other agencies on the progress and results of the implementation

³⁵³ Governance structures, World Trade Organization (WTO), https://www.wto.org/english/tratop_e/devel_e/teccop_e/governance_struct_e.htm

of the governance structure. The facilitator also assists the local authorities in creating knowledge and understanding the governance structure process in the country, especially at the higher political level.

A body must be established to govern the finances of the governance structure both at the national and global levels. At the global level the existence of the United Nations Office for Project Services (UNOPS) could provide and manage the financial services required.

The following section of the paper deals with trade strategies that can be adopted by countries designing their governance structures and also addresses some public concerns and methods to tackle such concerns and other trade related issues raised by public sentiment.

A trade strategy is a plan that is designed to achieve a profitable return. A strategic trade theory describes the policy certain countries adopt in order to affect the outcome of strategic interaction between firms.³⁵⁴ Common trade strategies include the use of export subsidies, import tariffs and subsidies to R&D or investment for firms facing global competition. Use of trade agreements is also a form of trade strategy to restrict governmental intervention in certain case can prevent the resemblance of the “Prisoner’s dilemma” as analysed in the game theory. The main idea of the use of a trade strategy is to raise the level of domestic welfare in a given state by shifting profits from foreign to domestic firms. The concept of import substitution industrialization is an important trade strategy and an economic policy which advocates replacing foreign imports with domestic production.³⁵⁵ This concept is based on the premise that a country should attempt to reduce its foreign dependency through the local production of industrialized products.

Some trade strategies that can be adopted by countries have been discussed below.

Absence of political pressure allows a government to make strategic policy making from the perspective of national interests as was done by the Chinese government. The conflicting interests of the agricultural sector and the manufacturing sector have to be kept in mind while making important trade strategies. Foreign economic policies can influence trade strategies. Highly stratified and well-coordinated policymaking structure is an important trade strategy. Changing views of trade liberalization among countries is an important factor that has to be kept in mind while formulating trade strategies.

Important challenges and public concerns that have to be looked into while adopting trade governance structures and designing trade strategies include the need to address poverty and related issues to ensure the growth and

³⁵⁴ Strategic Trade Theory, https://en.wikipedia.org/wiki/Strategic_trade_theory

³⁵⁵ Import Substitution Industrialization, https://en.wikipedia.org/wiki/Import_substitution_industrialization

development of countries, absence of proper pricing which could lead to environmental degradation (magnifier effect) which can be solved by multilateral environmental agreements, corruption in developing countries is an important challenge which will be faced by policy makers, debt faced by developing countries is also an important issue that needs to be looked into which affects the trade related activities in a country. The problem of debt can be addressed by means of foreign aid for development assistance. Child labour is an important issue arising out of poverty that needs to be looked into while addressing trade related concepts. Labour and environmental standards in trade agreements have been a growing concern that has secured public support over the years. Better wages, Health and safety standards and protection of basic human rights are also some important issues that have to be kept in mind by the policy makers.

Policy makers could keep in mind certain questions such as the effects of developing countries' own trade policies and those of their trading partners, the question of trade liberalization and poverty, important issues of trade facilitation, for example, the organization of customs or of payment systems, variability of the tariff rates inside the maxima agreed at by the WTO, infrastructure for international trade, issues of training personnel in carrying out foreign trade and market research for exports etc.³⁵⁶



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³⁵⁶ Neil McCulloch, Trade liberalization and Poverty: A handbook, Centre for Economic Policy Research