

**Wednesday, 10 October 2007**

## **Winning National Strategies for Export Development**

Plenary Debate

Don Stephenson, Ambassador, Canadian Mission to the WTO at Geneva, Switzerland  
Tariq Ikram, Chief Executive, Trade Development Authority of Pakistan, and Minister of State,  
Pakistan

Roger Baxter, Chief Economist, Chamber of Mines, South Africa  
Moderator: Tim Sebastian, Chairman, Doha Debates, UK

What's the winning formula for national export strategies? This plenary session backed the policy of local ownership and commitment, and a well-organized process as the precondition for getting donor support.

Moderator Tim Sebastian kicked off the debate by asking Tariq Ikram what he thought of the need for ministries to join forces to ensure smooth implementation of trade strategies. He agreed that getting all parties on board for a strategy would reduce 50% of the political turf wars that policies can generate. Applying a good strategy also requires people skills to work across departments, he advised.

Sebastian then put Canada's WTO ambassador in Geneva Don Stephenson on the spot over the Doha Round. He asked the ambassador to comment on Pascal Lamy's comment at the World Export Development Forum on the first day, that the finishing line for negotiations is nearing. Stephenson replied that there had appeared to be momentum last month, but that the last meeting he had on industrial tariffs – the area he chairs – had not been a good one. But he did add: "It is still doable sometime around Christmas, if the will is there. We are not far apart on the substance," he said. But he added that he had "no sense at all whether it will be done".

### **Why an export strategy?**

From the floor, an India delegate said that India has succeeded in expanding its services' sector enormously without adopting any particular strategy. So what was the need for one?

Baxter replied that the key thing is the enabling environment that governments need to create. Ikram said that having an export strategy does not deliver exports, but having a document helps galvanize resources.

Another participant called the Indian delegate's intervention "provocative" and asked whether he thinks it better just to sit back and do nothing. An African delegate said it is key for strategies to be devised "bottom-up" and that it would be a good thing if 10% of all donor assistance went directly to small- and medium-sized enterprises (SMEs).

A comprehensive national export strategy is vital if developing countries are to attract outside funding, said Stephenson.

Donors, he noted, are ready to support such strategies for five basic reasons:

- Trade matters to all countries, and bringing poor countries into the global market is as important to richer nations as to the poor themselves.

- A comprehensive strategy is more likely to bring results, and donor organisations are under increasing pressure to show results.
- It provides a better framework for coordination among donors.
- It makes it possible to look more closely at the environmental and social impacts of initiatives to be funded.
- It ensures that developing countries themselves define the process. “Donors are looking to developing countries to tell us what their priorities are.”

Proof of donor enthusiasm for supporting this approach can be seen in the backing for the Integrated Framework (IF) initiative of five United Nations agencies and the World Trade Organization, Stephenson observed. A comprehensive export strategy presented by Ethiopia recently to the IF board won immediate financial pledges from key donors, including the European Union, the United States and Japan.

Prospective recipient countries, he said, need to emphasize that they are committed to making trade an integral part of their development plans, that they are taking ownership of aid-for-trade programmes, and that they believe in them. Simply aiming to appease donors by offering them what they are believed to want dooms projects to failure.

### **A strong bulb in a dark room**

Tariq Ikram, a minister of state and chief executive of the Trade Development Authority of Pakistan, likened the existence of a comprehensive strategy in a developing country to having a strong light bulb in a darkened room. “Without the bulb, you may be able to cross the room but it will take you a long time and you will end up bruised and battered. But with the bulb, you will cross the room with ease and efficiency,” he said.

Expanding exports has to be a national affair in which governments and the private sector work together – the government to provide the enabling environment and business to provide the volume and the value. In Pakistan, a programme agreed eight years ago has born good fruit with a huge increase on trade compared with the performance in the 1990s. This was the result of a focussed effort and agreement among all stakeholders. It included projects to ensure that women are integrated into the strategy. The approach, he said, must be holistic, incorporating all branches of government as well as the private sector.

But there is a risk in this approach. “You should be careful about a turf war.” Different departments of government will always be reluctant to allow intrusions into what they see as their own area of competence, Ikram said.

### **Smarter red tape**

“Smart tape” as opposed to “red tape”. That was the contrast in approaches to national economies for Roger Baxter, chief economist at the South African Chamber of Mines. The crucial issue, he said, is to create a competitive business environment, with appropriate tax levels, a good supply of needed skills and awareness of the need to develop a knowledge-based economy, along with promotion of research and development and intellectual property protection, he said.

The multilateral trade rules will decide whether there is a level playing field, but it is countries that decide whether they have the players equipped to play. So what needs to be done?

Countries should focus on those strategies with the biggest impact and not try to do everything, he declared. But governments should not choose which export areas to develop. Their job is to provide the overall environment that favours development. It is necessary that the various arms of government work together, that there is dialogue between the partners.

New regulations should be tested for their impact on the business environment. Regional blocs should be encouraged in order to take advantage of economies of scale, he added.

Finally, and crucially, the macro-economic environment needs to be right.

## Infant industries revisited

An Economic Commission for Africa representative asked for reactions to the arguments for protecting infant industries and giving developing countries policy space to adjust to world markets. Stephenson said he first heard the argument from rock star and aid campaigner Bono at the World Economic Forum two or three years before. “I couldn’t help thinking that as an economist Bono is no Mick Jagger,” he said. “Mick Jagger went to the London School of Economics, by the way.” The theory, he said, is based in an outdated economic model. Today countries cannot attract investment by having tariffs that can change unpredictably.

As for the question of allowing countries to have policy space, Stephenson noted that the WTO negotiations would reduce all tariff levels, not just policy space. “Is that *enough* policy space? I don’t know. That is what we are negotiating about.”

Baxter recalled Prof. Bhagwati’s attack the previous day on infant industry protection. One of the drawbacks is that this protection offers the wrong set of incentives and infects the rest of the economy, he declared. “It is a no-win game.”

A Tanzanian woman entrepreneur noted that the Asian tigers had protected their industries while they were growing. The difference today is that countries that apply infant sector protection do not tackle the core issues of why the industries are not competitive.

Discussing the conditions for successful export strategy, a Romanian representative declared that the question of who leads the strategy process, who it is organized or where is not the key. “The most important thing is to have a team and work in public-private partnership,” he said, (Romania has developed a national export strategy with ITC assistance and is now implementing it).