

Strengthening Trade Research Capacity for Policymaking and Negotiations

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INTRODUCTION

As the multilateral process of trade negotiations stagger and founder, multiple and simultaneous negotiating rings in the regional and bilateral context have emerged. Countries embarking on regional trade negotiations no longer ask the question of ‘whether they should?’, but rather ‘with whom?’ and ‘how?’. From a theoretical context, the first question is actually far from settled, but policymakers consider it moot and academic. Although some theoretical arguments for North-South bilateral trade agreement exist, ‘With whom?’ is largely established through political decisions. But from a practical viewpoint, the question of ‘how?’ – what to negotiate on and how to come up with negotiating issues – is raising challenging institutional issues, particularly for developing countries.

It is said that negotiations are won on a ‘solid foundation of visionary leadership, high caliber arguments and analyses, thorough understanding of national interests, and strong coordination mechanisms within government and with a multitude of actors and stakeholders’ (Bilal and Laporte, 2004). To the extent that analyses are part of the formula for winning in negotiations, this brief highlights the role of non-state actors and research institutions in trade policymaking and negotiations, and discusses ways for governments and donors to develop national trade research capacities.

ELEMENTS FOR SUCCESSFUL TRADE POLICYMAKING AND NEGOTIATIONS

Negotiating effectiveness is only an offshoot of a policy-making infrastructure that works properly. Lecomte (2002) describes efficient trade policymaking as a process in which: (i) the country’s trade *interests* are clearly identified within the framework of an overall development strategy; (ii) these interests are translated into *policies and negotiating goals*; and (iii) *roles* in the process are distributed and *resources* are allocated to implement these policies, and to promote these interests in the various negotiating fora. To arrive at efficient trade policies, three critical elements are needed: (1) government

leadership; (2) institutional capacity; and (3) the inclusion of all actors, both state and non-state.

Assuming the existence of a clear political commitment to greater foreign trade engagement¹, the last two elements hold the key for success in policymaking. By institutional capacity, we mean the human and intellectual resources that enter into the entire policymaking process. This includes the capacity to prepare technical backgrounds, research, and analysis; capacity to carry out negotiations, either on an active or reactive basis; as well as adequate knowledge of the relevant trade laws and their implications. Institutional capacity also includes the structure of policymaking procedures (whether centralized or decentralized, coordination mechanisms within the government, and inter-agency dynamics) that will lead to either an orderly or a chaotic process.

Inclusion of all actors within government relates to the role of distribution or coordination mechanisms within the government, including agencies that are not directly involved in the negotiation process (e.g., trade promotion and regulatory bodies). Inclusion of non-state actors refers to the inputs provided by the business sector, think tanks, universities and other civil society organizations.

ENGAGING NON-STATE ACTORS

Inclusion of non-state actors can be achieved through formal or informal mechanisms of public and private sector dialogue, which gives greater political legitimacy and support for trade policies. Besides, the private sector often possess practical information on trade that is unbeknownst to trade negotiators, such as impediments and opportunities for exports and imports, transaction costs and competitive effects at the industry level.

However, the private sector often lacks the technical capacity to articulate their information in well structured

¹ This could mean greater sector coverage and less trade barriers with one country; or few liberalized sectors but with many countries; or other combinations. Negotiations will, however, be very different depending on the depth and coverage.

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arguments and written documents, as opposed to broad verbal statements at meetings and workshops, to make their inputs useful in the negotiation process. In some developing countries, NGOs and think tanks facilitate this “translation” by coming up with policy papers drawn from private sector inputs. This contribution is helpful as long as policymakers and negotiators retain the discretion to use the contributed information as seen to be appropriate in the overall trade package. Otherwise, more organized groups may acquire privileged access and influence, while the interests of consumers, a usually unorganized group with less money to pay think tanks to highlight their concerns, are drowned.

IMPORTANCE OF RESEARCH AND NATIONAL CAPACITIES

There is no better way to lose in trade negotiations than to come unprepared, as the experiences of some developing countries that have engaged in negotiations with a rich partner attest.

Preparations for negotiations start with solid research and analysis. Typically, initial research efforts consist of macro-level impact assessment of the potential effects of an eventual trade agreement. These studies are, usually, not very helpful in actual nitty-gritty negotiations, but are helpful in fostering national debates, creating awareness among the public at large, and in general, providing the political economy context of the trade agreement (Bilal and Laporte, 2004).

Sectoral studies are, usually, more directly helpful for the negotiators. Here, the bottleneck for developing countries is the lack of systematic sectoral databases and information systems for data retrieval needed for quick impact analysis during negotiations. Some governments already possess detailed information on official trade flows, domestic tariff lines and tariff structure, and domestic regulations. But this has to be augmented by intelligence, normally contributed by the private sector, on market access problems as well as market opportunities. In this regard, as mentioned, the private sector needs to have some research capacity to illustrate this in systematic arguments.

India has often been cited as a developing country that is able to generate good initiatives and proposals during negotiations. The open secret seems to be that India allocates a significant budget to the Trade Department every year explicitly for research, which helps the negotiators prepare for trade negotiations. India also has a number of autonomous research institutions that specialize in trade research and that are ready to be tapped for outsourced studies. Competent external think tanks and the trade and foreign affairs ministries also have

in-house research groups that can generate useful information for trade negotiations. The Republic of Korea, too, relies on government-backed trade think tanks and even brings its consultants to the negotiations. Other countries like Bangladesh and Cambodia, however, are not as privileged. Not only have they no, or very limited, budgets allocated to trade research, they do not have adequate capacity to conduct trade analysis within their respective government agencies. If respectable trade research papers exist in these countries, they have often been written by autonomous private think tanks thanks to research funding from abroad. Worse, in other LDCs, no institution has any significant trade research capacity, so that national trade policy researches are almost always produced by foreign ‘experts’.

BUILDING CAPACITY FOR TRADE RESEARCH

If LDCs and developing countries are to participate in trade negotiations less lopsidedly, building national trade research capacity is one area that needs particular attention from the governments of the Asia-Pacific region.

Developing in-house capacity

Presently, many developing countries do not have in-house research capacity, and thus outsource the analysis and needed trade studies to private or autonomous semi-private think tanks. The advantage is that they are, thereby, able to tap a larger human capital pool in research institutions and academia, instead of relying on a limited pool of talent within the department. There are, however, a number of disadvantages to this approach. One is that the think tank cannot always give fast feedback on the likely impact of proposals that crop up at the negotiating table because they are, typically, not physically involved in the negotiations. This is particularly the case with private think tanks and less with government think tanks, which, in some cases, as in the Republic of Korea, are able to join the negotiating team as advisers.

Outsourced research may, at times, also not be readily usable for negotiations. Even though research organizations often have the necessary analytical skills for economic research, not many researchers are familiar with international trade rules and the policy environment. Consequently, they generate research outputs that still require an enormous amount of “translation” to become useful for negotiators. This task is usually carried out by the lead negotiating agency, whose research support staff is usually minuscule compared to the breadth and complexity of the many issues under negotiation.

Because of the direct role played by the research department of the lead government agency in addressing

new issues that arise during negotiations, much research capacity building should, therefore, be directed at bolstering in-house research departments' capacity. If countries can afford it, government-backed research institutions specialized in trade should be established, as India and the Republic of Korea have done, to widen the pool of talent, which could be relied on for trade negotiations.

Supporting the external research community

However, the external research community should not be left out in the research capacity building effort. Indeed, because of their independent views, private research groups and academia can maintain some sort of a 'moral high-ground' to remind policymakers of the downside risks arising from the mercantilist bias that typically pervades trade negotiations.

Preliminary results of a survey commissioned by UNESCAP on the capacity building needs of research institutions in Asia-Pacific point to access to training on quantitative impact analysis, improved access to trade data and the trade literature, and partnerships with more sophisticated research institutions through joint research projects or availability of technical advisors (see Box 1).

Giving the external research community better access to trade data would be a particularly effective step in a government's effort to promote research on trade policy issues. While multilateral institutions have significantly improved and made available a large amount of trade data through the internet, access to that data is typically controlled by government institutions that often have no or very limited capacity to analyse it. Governments could, however, explicitly authorize multilateral organizations to give selected research and academic institutions access rights to these databases.

Financial support for regional research networks that can provide certainty about funding, research collaboration, and technical assistance over a reasonable time frame would be another excellent way to build trade research capacity in the region (Kharas, 2005).

Improving data collection and training at the national level

Good research always starts with good quality data. While limited government budgets are always an issue, trade research capacity building efforts in developing countries in the region are unlikely to succeed unless governments set aside, or actively seek from foreign

Box 1 – Trade research capacity building: What do research institutions need?

As part of the implementation of the ARTNeT research programme 2004-05, the Cambodia Development Research Institute (CDRI) has undertaken a survey of research institutions in the Asia-Pacific region, both government and private, as well as university-affiliated centres and academic institutions/departments. Preliminary results show that these institutions generate a relatively low volume of trade-related research output, generally accounting for less than 50 per cent of total research output. Yet, curiously, trade research capacity seems quite significant: a majority of them have researchers with either Master or PhD degrees, and with more than 5 years of experience. The study also shows that most researchers possess adequate skills in qualitative analysis, writing research proposals or policy briefs, as well as quantitative analysis. The crucial gap seems to be in modelling expertise, e.g. with respect to simulation or Computable General Equilibrium (CGE) models.

The most important needs among research institutions appear to be the following. First, access to trade research training programmes, particularly on quantitative analysis skills such as evaluation and assessment of trade policy impacts, and analytical techniques i.e. CGE, GTAP and other modelling and simulation methods. Second, funding for trade-related research. Third, free and wider access to trade data of international organizations and governmental statistical offices, as well as wider access to the trade literature through online databases of relevant journals and publications. Fourth, some research institutes would benefit from in-house or resident trade experts or technical advisors, and participation in joint projects with other institutions. Fifth, funding for post-graduate training of their staff.

The supply response to these needs have varied considerably, ranging from regional consultative meetings of trade researchers and policymakers, regional research projects, exchange programmes, online access to literature reviews, surveys and working papers, short-term training courses (typically 3-6 months), and fielding of technical advisors. Research institutions, however, have repeatedly made a case for the provision of regular, long-term research and training programmes as crucial to the building of core capacity and skills. Moreover, they suggest partnership programmes between well-established and strong research institutions with (weaker) research institutions in the Asia-Pacific region, especially those in LDCs, through joint-research projects, exchange programmes for academics, research fellowships and access to experienced mentors in the field.

Source: CDRI (www.cdri.org.kh)

donors, the resources needed for trade data collection and management. Consultations with the research community will also be necessary to identify what data needs to be collected, especially in new areas like trade in services.

Building trade research capacity at the national level may involve increasing awareness and training of university graduates and junior researchers on trade policy issues. National institutions of higher-learning (e.g., universities) could be encouraged to develop specialized curricula and short-courses on trade policy issues and analysis. Research capacity can also be enhanced through scholarships, lectures, and organization of specialized training activities, especially on identified needs like quantitative and modeling trade research skills (see Box 1).

CONCLUDING REMARKS

If good preparation is key to a successful trade negotiation, adequate research capacity is its locksmith.

The knowledge-intensive nature of international trade negotiations demands increased interaction between state and non-state actors, as well as strengthened trade research capacity of both the external research community and the relevant state agencies to support trade negotiations and policymaking.

While a comprehensive national trade research capacity development strategy may require increased budget allocation for an expanded research group within the government to support on-going trade negotiations and for improved collection and management of trade data, governments in developing countries in the region may significantly enhance their national trade research capacity by, for example, authorizing non-governmental

research institutions access to trade data and information available from inter-governmental organizations.

Regional cooperation on trade policy research and capacity building may be particularly effective in the Asia-Pacific region where some developing countries have developed world-class trade research capacity (e.g., India and the Republic of Korea) while some others have yet to develop any. Specialized research and policy networks which encourage sharing of information and joint research projects, and facilitate structured training for trade analysts, could prove very effective, if adequately supported financially.

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