

THE LINK: TRADE AND DEVELOPMENT Part One



Discussions surrounding the link between trade and development have been numerous. Economists; Development Practitioners; Academia; and Policy Makers have all made significant contributions to the trade and development discourse. The positive impact of international trade on development is sometimes questioned. There exist contending schools of thought as to the role of trade, more pointedly liberalized trade, as it relates to growth and development in developing countries. Maes (2012) highlights that, “trade can bring about development. But the path from trade to inclusive and sustainable growth and ultimately development can be a torturous one, full of obstacles and pitfalls.” In 2015, the time has come for Greater Caribbean countries to move beyond this dichotomy, and appropriate the instruments relevant for the positive correlation between trade and development. UNCTAD Secretary General Mukhisa Kituyi puts it this way, “In the design of the post-2015 agenda we need to know better what the conditions, policy mixes and best practices are to make use of trade as a means for sustainable development.”

As a Region, comprised mainly of developing countries, the paths toward economic growth and sustainable development are ones which we continually seek. Time and evidentiary support have proven that there is no one road to development and the paths that countries take are hewn out of varying national experiences and approaches.

Trade as a tool of development must be applied in a national context, adapted to the variety of situations and needs of developing states. There is no guarantee that increased participation within the international trading system will automatically lead to development. It therefore becomes critical “to build an international trading system with more development-friendly trade instruments and negotiations, and where more attention would be devoted to adequate policy content, pacing and sequencing in trade reforms. Instead of a trade-driven approach to development, it is a development-driven approach to trade that would be needed. As Dani Rodrik wrote “trade has become the lens through which development is perceived, rather than the other way round”. (UNCTAD, 2013)

The Role of International Trade in the Development Process.

International trade can be defined simply as “the exchange of capital, goods, and services across international borders or territories.” Over the last decades the appearance of international trade has evolved, and has become multi-dimensional in its links to development and within the development process. International trade has a crucial role to play in the development process. Trade has become increasingly more important as countries pursue a more holistic development path. Trade can be related to many other dimensions within the development sphere – poverty; employment; gender; productive capacity; investment; facilitation; agriculture and environment. These are only a few of the areas where direct trade linkages can be seen to support development. We can look at the examples of agriculture and facilitation.

Trade influences agriculture through a number of channels. UNCTAD identifies that trade:

“Influences the income and employment of rural population, which has a vital impact in terms of development and poverty reduction, since a majority of the population and a majority of the poor still live and work in rural areas. It also plays a crucial role to develop a commercial agricultural sector;

Has an impact on food supply to poor people. If a country doesn’t have the capacity to be self-sufficient in providing food to its population, aid only will not solve the situation on the long-run. Through the development of agricultural production and/or the acquisition of food products at cheaper prices (due to increased competition), trade can help to reduce the number of people suffering from hunger;

Helps peasants to live from their agricultural work (and therefore keeping them in the rural areas) limits migration to overcrowded cities where industries cannot provide the needed jobs.

Changes positively the life of rural populations can be done in several manners: direct projects targeting agricultural productivity and access to markets, but also through infrastructure projects and trade facilitation, and through technology and information. “

Trade facilitation also has a strong development dimension, and it is an important element in the trade tapestry of the Association of Caribbean States (ACS) Region. It has been recognized that Trade Facilitation is at the heart of increased trade relations within the ACS. Given this high relevance, every effort is being made to reduce the obstacles to trade and implement initiatives and procedures which facilitate and promote the ease of doing business in the Region.

For the Greater Caribbean the concept of trade facilitation involves the entire trade chain from exporter to importer, including all activities involved at all stages of the process. Trade facilitation is focused on reducing the complexities and barriers to trade, with a view to ensuring that all activities take place in an efficient and transparent manner. Simply put, it is lowering trade transaction costs and creating standard efficiencies as has been highlighted in the Doha Declaration. The Directorate of Trade Development and External Economic Relations within the ACS Secretariat currently manages three major trade facilitation projects. These are:

International Transit Of Goods In The Greater Caribbean (TIM)

Interconnectivity Improvement to Trade Facilitation and Short-Distance Maritime Transport in the Greater Caribbean

Scheme for the Issuance of Business Visas in the Greater Caribbean

These projects have profound development implications as the opportunities they should create within the international trading system should facilitate and promote sustained and inclusive economic growth.

The opportunity will be taken, for a closer look at the project “Interconnectivity Improvement to Trade Facilitation and Short-Distance Maritime Transport in the Greater Caribbean,” and what this means for development within the Greater Caribbean.

“Providing landlocked countries an outlet to the sea through the creation of transit corridors is an example of a trade-related policy with profound development implications.” The Caribbean is by no means landlocked, but the Region faces great challenges in the area of Trade Facilitation and Maritime Transport. The aforementioned project seeks to promote trade development, particularly in terms of short-distance maritime transport, among countries in the Greater Caribbean. The absence of connectivity has been a key issue throughout the Greater Caribbean, with poor links among Caribbean islands as well as South American and Central American countries. To contribute to developing more trade links among territories, it is important to analyse obstacles and identify concrete actions that will help improve operational efficiency at ports in the region, seeking to boost intra-regional trade by means of short-distance maritime transport, placing emphasis on supporting small ports.

Therefore through the ACS Directorate of Trade, and with the funding support of the Mexican Agency for International Development Cooperation (AMEXCID), a programme to modernise and improve maritime-port infrastructure that would affect the development of regional trade and identifying potential routes for developing the Short-Distance Maritime Transport service in the Greater Caribbean, especially within the view of the expansion of the Panama Canal have been established as specific strategic actions.

As part of project activities the Directorate of Trade Development and External Economic Relations will host on the 24th and 25th March 2015 two workshops geared towards capacity building and knowledge exchange within the Port and Maritime Sector. These are:

1. Workshop on the Exchange of Information to Improve Terminal Operating Systems (TOS) of ports.
2. Workshop on the Facilitation of Maritime Traffic, Cargo Movement at Ports, based on the Facilitation of International Maritime Traffic Convention (FAL 65)

Building transport infrastructure and effective instruments can facilitate trade and promote sustained and inclusive economic growth. It is expected that through these initiatives good practices and experiences will be shared towards both national and regional development.

Trade can become powerful engine for development. This positive effect is even further strengthened in the presence of certain pre-conditions and environment; thus enabling trade-development oriented projects as mentioned above to redound optimum benefits. These conditions for a successful contribution of trade to development will be examined in a subsequent article.

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