World Bank’s Advocacy Role in Trade vis-à-vis OECD Countries: An Evaluation

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Executive Summary

The World Bank does not play its advocacy role in isolation, but together with the IMF and WTO. Their close relationship arises from the commonality of their objectives, history and evolution of these institutions. Before the 1980’s, the World Bank was to a large extent a project Bank and the IMF was mainly involved in macroeconomic and stabilization issues. This situation changed when the World Bank started supporting trade reforms, which required macroeconomic stability for their success.

Around 85% of the SALs in the 1980’s had trade related conditions. The relationship with the IMF broadened with the SALs because none of them could be adopted without an IMF stabilization program in place. One of the earliest collaborations on trade between the World Bank and the IMF took place in 1986 when the staff of the two organizations wrote a single document for the Development Committee on the Linkages between Trade and Development.

The GATT, given its make up as a consensus based organization and one without financial backing to support its policies, had not taken strong positions on trade reforms. But with the creation of WTO and a change in rules that were adopted it was in a position to take a stronger position on trade issues working in concert with the World Bank and the IMF.

Research done both internally and outside the World Bank has established the close link between trade and development in multi-country as well as in individual country studies over time. As a result, the World Bank has believed that trade is an essential ingredient for development. The World Bank has promoted trade reform in developing countries, and at the same time has done economic research to estimate the costs for developing countries of industrial countries’ protection.

At the same time that the World Bank espoused the benefits of trade liberalization in developing countries, it showed the beneficial effects of increasing market access in industrial countries for themselves as well as for developing countries. Traditionally, the sectors in which the developing countries have comparative advantage have been protected openly or indirectly in industrial countries inflicting important economic costs on both. Protection in industrial countries nullify the benefits of comparative advantage; developing
countries would lose exports, growth, and employment opportunities and the industrial countries reduce their welfare and distort the resource allocation in the economy maintaining non-competitive sectors.

Bank research has shown that open markets in industrial countries for labor-intensive manufactures and agriculture will benefit the developing countries’ most abundant factor- labor. If industrial countries open their markets to more developing countries’ exports, this can translate into higher economic growth and less unemployment in developing countries and help to reduce poverty.

To summarize the following conclusions emerge:

• the World Bank has played an important role in bringing trade issues of developing countries to the forefront and advocating on behalf of the OECD countries.

• the quality of the analysis has been good in the area of policy research and in acting as a conduit to bring the latest research to bear on trade policy issues particularly with respect to market access.

• while the message has been consistent with respect to market access, the World Bank did not pursue trade issues to the same extent during the period from the mid 1990s to early 2000. This was due to the crowding out of trade issues by other issues such as the environment, gender and empowering the poor, which are by themselves important issues. This shift was also due to the reduction in SALs and policy-based loans as the Bank moved towards being a more project oriented Bank. The IMF took over part of the slack by introducing trade conditionality in its Standby programs.

• the Bank took the mantle on trade issues again in early 2000 and this is reflected in new initiatives on behind the border protection, policy research on services, administrative protection and technical standards.

• the message on trade vis-à-vis the OECD has been delivered at the highest level by the President and the Chief Economist in 2000 and beyond.

• while it is difficult to ascribe the Bank advocacy role to the liberalization of OECD markets, it has also not been able to convince OECD countries to eschew protection in agriculture, textiles and clothing and in escalation of
Nor has it been successful in improving the rules of the game by limiting the recourse to administrative protection in the form of AD, CVD and the use of safeguards. But equally, it could be said with some confidence, without the Bank advocating on behalf of the developing countries they would have not had the access to OECD markets they began to achieve sine the mid 1990s.

I. Introduction

1. The World Bank’s Advocacy Role

In addition to being the largest multilateral lender for development, the World Bank provides worldwide policy advice and technical assistance that support a wide variety of programs aimed at reducing poverty. Within its policy advice, the World Bank has promoted trade liberalization in developing countries and also has exhorted industrial countries to open their markets.

The World Bank along with the - then International Trade Organization (ITO) (that never came into being) – now the World Trade Organization (WTO), and the International Monetary Fund (IMF) constitute triplets of the international economic system that have the responsibility to advance multilateral trade and investment as well as macroeconomic stability.

The World Bank is not only is a financial intermediary, borrowing resources from the industrial countries and lending them to developing countries, but it is also an intermediary to carry ideas and policy issues between its members.

The differences in factor endowments between OECD countries and developing countries provide the basis for trade. Therefore, it is in the common interest of both parties to increase trade, and exploit their comparative advantages to improve the living standards of their populations. Accordingly, the World Bank has supported trade policy reforms in developing countries and equally important, has exorted the main importing industrial countries to open their markets for these countries’ exports. The OECD countries are the main targets for the World Bank advocacy role, since they have the largest GDP in the world, and are the natural markets for developing countries’ exports.
By virtue of its nature, as a lender, the World Bank has more capacity to influence policy decisions in developing countries. However, on the policy advice side, its advocacy role vis-à-vis the OECD countries (and in particular the QUAD countries) can provide some weight in favor of the developing countries in their dealings with the industrial countries. Some have decried the imbalance in the power relationships between the two groups; in this regard, the World Bank can provide a counterweight to the industrial countries to give a greater voice to developing country concerns.

Furthermore, the World Bank has not only advocated open trade on behalf of the developing countries, but it also helped to hold back protectionists sentiments in industrial countries through its intellectual efforts, relying on both in-house and external academic work to support freer trade policies.

The paper is structured as follows. After the introduction in Section I, Section II provides context in which the World Bank plays its advocacy role. Section III discusses the issues relating to the advocacy on behalf of the developing countries. Section IV describes the instruments the Bank uses to play its advocacy role. Section V evaluates the Bank and Section VI gives the conclusions.

In general the paper finds that the Bank has played an important role of advocacy on behalf of the developing countries. While the issues within the trade arena it has chosen to advocate have changed over time, its commitment to open markets in the OECD countries has been ever present. It has played a stronger role during the period from the mid 1980s to mid 1990s. At that time developing countries were undertaking strong trade reforms with support from the Bank. In the mid 1990s to the end of the decade, there was less strong advocacy, but it resumed again at the end of the decade. Research work, policy analysis, and strong messages given by the Bank’s president at different forums, helped to give strength the to the advocacy role. It seemed to succeed when the interests of OECD countries coincided with the Bank’s advocacy and there was less success where there was no such convergence, at least until recently. Protection in agriculture, textiles and garments and the use of contingent protection measures have persisted, even though their adverse impacts on both developing countries and OECD countries have been established, publicized and provided pressure to open OECD markets.

2. The OECD Countries’ Interests
The OECD countries in general and the QUAD countries in particular (Canada, Japan, EU15, and USA) have had a leadership role in the world trade system. While the World Bank has a multilateral focus and responds to all the concerns of its member countries, QUAD countries, due to their nation-focused orientation, attempt to maximize their individual interests responding to their domestic constituents.

Protection among OECD countries has been declining over the years; particularly after several rounds of multilateral trade negotiations that have taken place during the post world-war period under aegis of GATT and led by US administrations. On the other hand, OECD countries want to open developing countries’ markets. They remain more protected on average. They could grow faster because these countries start from lower GDP levels, compared to the well-established industrial countries’ markets. Income convergence is by now a well-accepted notion supported by the empirical evidence.\(^2\) Thus, it is in the interest of the OECD countries to support the “triplet’s” polices and programs for worldwide trade liberalization. However, at the same time, OECD countries face strong lobbies that seek to protect some of their own sectors, in which the developing countries have comparative advantage. This would tend to slowdown, if not prevent, developing countries from reaching their development goals faster than otherwise. For this reason, some OECD countries might not be convinced of the need for multilateral approaches to opening markets in their protected sectors. It is for this reason that some industrial countries have pursued selective liberalization of their markets.

OECD countries among themselves have not always had the same interests and priorities regarding their trade policies towards developing countries. Thus, what the French would want to protect in the EU market, Germans might not, such as the case of agriculture. Conversely, the textile and clothing sectors are protected in the US as well as in Europe under the Multifibre Arrangement. More recently, the French have indicated a slower path to agriculture trade liberalization compared to what was envisaged at the end of the Uruguay Round, creating some tensions with the UK and Germany who are more keen to liberalize agriculture. Last year, the United States, which had led earlier efforts to liberalize agriculture, provided increased subsidies and in addition introduced higher tariffs

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\(^2\) Sala-i-Martin 2002.
on steel imports. However, the United States has put forward a strong proposal for multilateral trade negotiations with the Doha Agenda indicating that industrial countries could go to zero tariffs on manufactures and also liberalize agriculture trade much faster than had been proposed following the Uruguay Round. As to whether this proposal will be accepted by other OECD countries is not certain given trade tensions that exist among the industrial countries themselves.

3. Framework for Evaluation of the Bank’s Advocacy Role

In order to evaluate the advocacy role of the World Bank on behalf of the developing countries in trade, one can examine the aims and the clarity of the message, its consistency over time and whether the positions taken by the World Bank are reflected in the actions of the OECD countries with respect to changes in their trade policies. One way to evaluate this is to trace the core issues that the World Bank has espoused in international forums using different mediums, and to observe whether the OECD countries have acknowledged them as important and acted accordingly.

4. A Few Caveats

The nature of the inquiry is such that it is difficult to establish if the actions taken by the OECD countries were in response to the World Bank advocacy per se.

To begin with, even if the policy makers in OECD countries are more responsive to the World Bank’s plea to open their markets to the developing countries’ products, it cannot be expected that they will readily acknowledge that the World Bank advocacy was the reason for their policy change. It may be that when a position that the World Bank advocates finds support among influential constituencies in the countries in the OECD, then these governments would act on it. To the contrary, when the positions between the OECD and the World Bank are not aligned together, they would offer more resistance. The World Bank could influence the debate within the OECD to give more weight to the arguments of those who push for opening their markets.

However, many other important factors interact in the OECD countries’ policy making towards developing countries. First, more market openings by OECD countries are
primarily beneficial to themselves; the cost of protection in industrial countries sectors is well documented by OECD research. Second, both developing and industrial countries trade policies depend greatly on the negotiation process in the GATT-WTO. Industrial and developing countries will be willing to change their protectionist policies in a Mercantilist way, if they can gain concessions in sectors of their interest. In this process, the OECD countries are also aware that if the developing countries concerns are not taken into account, the multilateral trading system will remain protected for all countries. That will have a deleterious effect on growth for the world economy. Third, industrial countries can base their policies towards developing countries not only on economic considerations, but also involving politics, humanitarian and security issues. With the end of the cold war, there was less of a political imperative. On the other hand, the recent concerns with immigration and terrorism have increased OECD country interest in developing countries.

Given the complexity in the interaction of the factors involved in the industrial countries trade policy making towards developing countries, it is difficult to attribute any policy change just to the World Bank advocacy role in isolation.

Nonetheless, the Bank has played an important advocacy role on behalf of the developing countries. In the last few decades there has not been general resistance to the World Bank’s advocacy role among the OECD Governments, save for few occasions. For instance, the Japanese Government objected to the identification of Japanese QRs in the mid 1980s, an issue raised in the 1987 WDR. Similarly, the OECD governments resisted earlier attempts to bring agriculture under multilateral trade rules, a position advocated by the 1986 WDR and by the Bank’s work on estimating the costs of agriculture protection in OECD countries. This position changed during the early 1990s and led to the bringing in agriculture into multilateral trade rules during the Uruguay Round. Similarly, the World Bank has consistently argued against restrictions imposed through the Multi-fibre Arrangement, tariff escalation on exports manufactures from developing countries, and the need for multilateral discipline to guard the weak from the strong.

II. The Context

1. World Bank’s advocacy role as multilateral institution
The World Bank does not play its advocacy role in isolation, but together with the IMF and WTO. Their close relationship arises from the commonality of their objectives, history and evolution of these institutions. Before the 1980’s, the World Bank was to a large extent a project Bank and the IMF was mainly involved in macroeconomic and stabilization issues. This situation changed when the World Bank started supporting trade reforms, which required macroeconomic stability for their success.

Around 85% of the SALs in the 1980’s had trade related conditions. The relationship with the IMF broadened with the SALs because none of them could be adopted without an IMF stabilization program in place. One of the earliest collaborations on trade between the World Bank and the IMF took place in 1986 when the staff of the two organizations wrote a single document for the Development Committee on the Linkages between Trade and Development.

The GATT, given its make up as consensus based organization and one without financial backing to support its policies, had not taken strong positions on trade reforms. But with the creation of WTO and a change in rules that were adopted it was in a position to take a stronger position on trade issues working in concert with the World Bank and the IMF.

The World Bank supported GATT efforts to launch the Uruguay Round. The early thinking on the Round began with the Leutwiler Report or the “Report of Wise Men on trade issues”. The World Bank provided inputs into it and worked with the GATT to sell the idea for a new round of multilateral trade negotiations. Moreover, the World Bank’s Economic Research staff organized a symposium to discuss issues for the Round and published a special issue of the World Bank Economic Review in 1986 that included the presented papers. Participants from developing countries as well as OECD representatives discussed trade issues at the symposium. Before the initiation of the negotiations, the World Bank took a very active role on the side of the developing countries to influence the negotiation agenda. Earlier, there was a formal relationship between the IMF and the GATT since the former monitored country requests for protection on balance of payments grounds (permissible on the basis of Article 18 B of the GATT).

There were some rumblings among the developing countries regarding close coordination among the World Bank, IMF and WTO as they were especially sensitive to
what they viewed as cross conditionality. In the 1990s one refrain from OECD countries and the Group of 7 was the need for closer coordination among these three institutions.

In the past, especially during the highly protected phase of trade regimes of developing countries, some countries accused the Bank of siding with the industrial countries in order to increase market access for the latter. The Bank’s robust criticisms of industrial countries trade policies have to a large extent allayed this charge. Since the paper deals with trade policies of industrial countries per se, it does not delve into the perceptions of developing countries with respect to the Bank’s advocacy role in trade.

2. Economic rationales for World Bank’s advocacy role given the close relationship of trade to development and poverty reduction

Research done both internally and outside the World Bank has established the close link between trade and development in multi-country as well as in individual country studies over time. As a result, the World Bank has believed that trade is an essential ingredient for development. The World Bank has promoted trade reform in developing countries, and at the same time has done economic research to estimate the costs for developing countries of industrial countries’ protection.

Regarding trade reform in developing countries there is a bulk of academic work advocating the benefits of more liberal trade policies. The World Bank led this work in the late 1960s (Balassa, et al), and afterwards it brought on board the results of studies done under the OECD financed project on trade and industrialization by Little, Scitovsky, and Scott (Trade and Industry in Developing Countries). In addition, the NBER study on Trade Regimes and Economic Development (Bhagwati and Krueger, 1978) provided further academic rationale to support policy reforms in developing countries. The 1987 WDR on trade and industrialization brought together in one document the prevailing knowledge on trade reforms. The 1990s were distinguished by further work on trade policy reform: David Dollar (1993), Sachs and Warner (1995), Edwards (1997), and Frankel and Roemer (1999). Lately, more attention is being paid to the link between trade reforms and poverty outcomes both inside and outside the World Bank. Authors such as Winters (2000), and Dollar and Kraay (2001) have provided strong evidence that trade is beneficial for growth as well as for poverty reduction. Except for one or two mainstream economists (Rodrik
(1992) and Wade (1990)), no well-known economists have opposed trade reforms on grounds that they increase poverty.

At the same time that the World Bank espoused the benefits of trade liberalization in developing countries, it showed the beneficial effects of increasing market access in industrial countries for themselves as well as for developing countries. Traditionally, the sectors in which the developing countries have comparative advantage have been protected openly or indirectly in industrial countries inflicting important economic costs on both. Protection in industrial countries nullify the benefits of comparative advantage; developing countries would lose exports, growth, and employment opportunities and the industrial countries reduce their welfare and distort the resource allocation in the economy maintaining non-competitive sectors.

Following the Uruguay Round (UR) there were significant tariff cuts of which 91% of manufactured imports were bound. But only 80% of textiles and clothing imports were bound in industrial countries. The full implementation of the Uruguay Round would bring down average tariffs to 4% for manufactures, agriculture tariffs would average 25%. These averages mask considerable variation in products and between industrial and developing country imports. For example, manufacturing has tariffs exceeding 50% in some cases and above 100% in agriculture. There is also greater incidence of tariff escalation against exports of developing countries, which discourages their exports from going up the value chain. Tariff peaks in the QUAD countries against their own exports represented 5% of their imports. But tariff peaks confronted by developing countries accounted for 11% of their exports to these countries. Canada and the United States had the largest import category subject to tariff peaks, which are in textiles and clothing, where more than 50% of LDC exports are concentrated. In the EU and Japan, tariff peaks were more prevalent on agriculture exports, food products and footwear. But many of these goods are subject to non-tariff barriers such as sanitary and pyto-sanitary measures on food products. With respect to agriculture, protection in the EU and Japan has limited the opportunities for developing countries to increase their exports. It is well known that the manner in which the non-tariff barriers (NTM) were tariffified at the Uruguay Round increased protection in

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3 Hoekman, Ng and Olarreaga 2000.
the sector rather than reduce it. The main gain for the sector in the Uruguay Round for agriculture was that it came under the purview of international trade rules for the first time.

Since the mid 1980’s several World Bank research publications presented calculations of the effects that an elimination of trade barriers (Tariffs and NTB) in agriculture in industrial countries would have on developing country exports. Moreover, the Bank has been critical of the OECD countries protection against agricultural imports from which many developing countries would profit. The Bank has encouraged industrial nations to cut agricultural subsidies that rob developing countries of markets for their products. These subsidies are six times what the rich countries provide in foreign aid to the developing world.

The Bank has also done calculations of the costs of protection in industrial countries due to restrictions on manufactures exports such as textiles, steel based products, and automobiles, among others (de Melo, 1988, and Goto 1989). It has identified the detrimental economic effects on developing countries of several trade-restricting industrial countries’ policies as the MFA (Erzan and Holms, 1990), unfair trade policies (Primo Braga and Siber, 1991) and antidumping (Finger, 1987, 1991) and Finger and Messerlin, 1989). (See Table 1: World Bank Staff Studies on OECD Trade Policies)

Bank research has shown that open markets in industrial countries for labor-intensive manufactures and agriculture will benefit the developing countries’ most abundant factor- labor. If industrial countries open their markets to more developing countries’ exports, this can translate into higher economic growth and less unemployment in developing countries and help to reduce poverty.

3. Rationale for the Bank’s advocacy role given the perceived unequal power relationship between the OECD and developing countries

Many who are critical of World Bank support for trade reforms argue that the power relationship between the developing countries and OECD countries is uneven. OXFAM, among others, has claimed that the World Bank’s board members who have more voting power, such as the OECD countries, are responsible for imposing conditions on developing countries while the latter have no power to resist or place similar conditions on OECD countries to open their markets.
Institutions such as the World Bank can play a useful role to mitigate the power imbalance in the world. The World Bank advocacy role has helped in this matter in many ways; it has produced research outputs on issues of interest to developing countries; it has provided technical advice to officials in developing countries, and it has directly and indirectly exhorted industrial countries to change their trade policies towards developing countries.

4. Integrated Framework (IF) issues. Special case argued on behalf of the least developed countries

The Bank has taken a leadership role in supporting the initiative to evaluate the IF and the IF has been revamped because of this. Three pilot studies (Cambodia, Madagascar and Mauritania) done under the new IF showed a marked improvement in the scope, quality of analysis, and approach to address trade-related technical assistance (TRTA). A new and welcome development is the analysis of the poverty impact of a trade regime. Other studies have been initiated under the revamped IF. These studies include Nepal, Yemen and Ethiopia. A new feature of the IF is the increased involvement of the donor countries led by QUAD countries to help TRTA to the Least Developed countries.

As mentioned above, least developed countries face more barriers in industrial countries, particularly in OECD countries compared to other developing countries. The special initiative to help them in partnership among the World Bank, IMF, ITC, WTO, UNCTAD and UNDP under the IF program is to target TRTA better than in the past. Possibly due to the World Bank’s advocacy, least developed countries are beginning to receive improved access to OECD markets than before. Thus the United States has introduced the African Growth Opportunities Act (AGOA) and the EU has introduced the “Everything but Arms” (EBA) to give duty free access to their market for these countries. In addition both Japan and Canada have agreed to allow exports duty free from LDC’s into their national markets. The World Bank may not be able to claim credit for those developments directly, but it did help to identify the need for these initiatives. Despite these initiatives, barriers remain in some commodity groups such as textile and clothing, some agriculture items as well as footwear as discussed in section III below.
III. Issues Relating to Advocacy role in relation to Developing Countries

The World Bank advocacy work has mainly followed the events of the GATT – WTO negotiations because most of the issues of interest to developing countries have been discussed in Geneva. Before the Uruguay Round, the World Bank’s work criticized the consequences for developing countries of protectionist policies in industrial countries and advocated the inclusion of issues of interest to developing countries in the negotiating agenda. During the Uruguay Round, the World Bank made evaluations of the negotiation proposals (e.g. the phase out of the MFA), and produced a Handbook for the Multilateral Trade Negotiations. Following the Uruguay Round, the Bank evaluated the Round’s achievements for developing countries and considered the drawbacks and limitations of the various agreements undertaken within the Round. Since the 1990s, the World Bank has worked on the preparations for a new round and has analyzed its implications for growth and employment in developing countries. This bore fruit by providing research support for WTO members to agree on a new round, which led to the Doha Agenda in November 2002. While it is impossible to attribute the agreement on a new round of multilateral trade negotiation to any particular party, the work done by the Bank on the agenda has been helpful to clarify the issues. The Bank’s work has highlighted the need to bring a development agenda to trade negotiations. The Doha Agenda in this sense is a *quid pro quo* between the interests of the industrial countries and the developing countries thus the World Bank has contributed to the initiation of the Doha Agenda.

1. Access to OECD markets for developing country exports
   
   The World Bank has worked in sectors and issues of special interest to developing countries given their comparative advantage: These are discussed below.

Textiles and Clothing:

Historically, the textile and clothing industry has played an important role in economic development. In the past, this industry was key to the development of today’s industrial countries. In the 1970s given their comparative advantage in these activities, based on cheap labor, developing countries became important producers and exporters of
those goods. Developing countries textile and clothing exports products have been subject to trade restrictions in the last forty years.

In 1961 at the request of the US and with GATT’s tacit acquiescence, several countries negotiated the Short Term Cotton Textile Arrangement. The Long Term Arrangement named the International Trade in Cotton Textiles replaced the former in 1962. This comprised a set of bilateral agreements that allowed importing countries to impose quotas on a country-by-country basis and in some cases, importing countries imposed quotas unilaterally without a penalty.

In 1974, the Multifibre Arrangement (MFA) was negotiated and then renegotiated in 1978, 1981, and 1986. In 1995 the Agreement on Textiles and Clothing was negotiated as a part of the Uruguay Round that replaced the MFA. As expected in all these negotiations industrial countries wanted to protect their domestic producers and the developing countries wanted to secure at least some share of the industrial countries’ markets. Those re-negotiations were not able to prevent the growth of developing countries’ exports, but created a complex set of bilateral restricted agreements that distorted the production and trade of textiles and clothing around the world.

Given the industrial countries’ protectionist measures implemented through the MFA, the World Bank has continued to advocate a freer trade environment for textiles and clothing. Since the beginning of the 1980’s and before the launching of the Uruguay Round, several World Development Reports advocated the necessity of reforming the MFA. From 1980 to 1985, the World Bank pointed out that quantitative restrictions, voluntary exports restraints and orderly marketing agreements, such as the MFA, violated the principles of the GATT, and were detrimental to developing countries export and growth prospects. (See Table 2: World Development Reports: 1980-2002 Main Themes on Trade) The 1984 and 1985 WDRs showed that a serious danger to developing countries’ exports arose from the growing use of non-tariff barriers and the tightening of the MFA every time that it was renegotiated. The 1987 WDR showed the case of Bangladesh, which ran into MFA quotas once it had succeeded in developing its exports. Poor countries’ success was penalized rather than rewarded contrary to the rhetoric for open markets of industrial countries.
During the Uruguay Round, the World Bank highlighted the adverse effects of the MFA for both for importer and exporter countries, and analyzed the negotiation proposals for its elimination from the GATT. Various working papers (Erzan, Goto, and Holmes, 1989, Goto, 1989, and Erzan and Holmes, 1990) noted that the MFA affected consumers adversely in importing countries by increasing prices of both domestic and imported textile and clothing products. It was also noted that exporting developing countries were adversely affected by a reduction in export opportunity. This loss was partly offset by the "quota rents", created by the MFA. The export revenue of developing countries that was lost as a result of restrictions was substantial. In addition to its short-term impact, the MFA had far-reaching effects on economic development creating restrictions on exports of developing countries and distorted world production and trade.

In keeping the pressure on the MFA, the 1990 WDR estimated that if the MFA were removed, developing countries would realize an estimated benefit of $11.3 billion, or more than one third of their total exports of clothing and textiles, and this would raise these industries’ employment by 20 to 45 percent. Beginning in the 1990s the World Bank’s advocacy message on trade was carried mainly by the publication of the Global Economic Prospects and the Developing countries (GEP). (See Table 3 Global Economic Prospects OECD and Other Trade Themes) The 1992 GEP emphasized that restrictive trade policies (like the MFA) in industrial countries affected prospects for developing country exports of manufactures.

In 1994, the Uruguay Round negotiations finally ended. GATT parties signed the Agreement on Textiles and Clothing (ATC). This agreement established that quota rates would almost double and products would be slowly removed from the MFA restrictions. However, only 50% of the quota was to be removed in 2005, and the liberalization was back-loaded. The sector would be fully integrated into WTO rules only after 2005 when importing countries would no longer be able to discriminate between exporters in this area.

The 1995 GEP named the liberalization of the MFA as a major achievement, but noted that tariffs on textiles and clothing remained high. Later on, work by Finger and Nogues (2001) noted that careful wording in the ATC had allowed the industrial countries to put off much of the market liberalization until the very end of the transition period. They
showed that in the first two stages this would include notionally only 33 percent of textiles and clothing imports.

Recent WDRs and the GEPs have continued to show the extent of protection in developed countries under the ATC and its cost to developing countries. The 2002 GEP pointed out that the effectiveness of the ATC in freeing up markets has been limited by the increased use of contingent protection measures in these sectors after the Uruguay Round. The 2002 WDR showed that due to the slow pace of liberalization of the ATC, potential benefits for developing countries are reduced and the forgone export earnings were sizeable. Moreover, it affirmed that even after the rescinding of the ATC, market access in Textiles & Clothing would remain restricted because of high tariff barriers.\(^4\)

Overall, the Word Bank has consistently exposed the distortions in the Textiles and Clothing market created by the MFA and the ATC. The issue of costs for both the developed and developing countries were addressed in various working papers and this message was transmitted by the WDRs and the GEPs. Before the Uruguay Round, the World Bank pressed for the elimination of the MFA. After the Uruguay Round, the World Bank addressed the drawbacks in the ATC implementation. In the case of Textiles and Clothing the advocacy role of the World Bank can be seen as successful because the MFA will be finally rescinded by 2005. However, strong protectionist pressures in industrial countries that remain could delay the final liberalization of this sector, despite the Doha Agenda due to the pressure exerted by labor in these countries.

**Agriculture**

Traditionally, agriculture has been highly protected and supported in industrial countries. The aim has been to support farm incomes in the face of rapid growth of earnings elsewhere in the economy (WDR, 1980). The entrenched protectionism in agriculture led to the sector being excluded from the GATT rules since they were adopted in 1947. Given the developing countrie’s comparative advantage in agriculture, industrial

\(^4\) A point rarely made in this regard is that the liberalization of textiles and clothing under the ATC would leave out countries who, are not members of the WTO which would include many least developed countries unless they negotiate special agreements with the major industrial country importers. Many of the new initiatives to help these countries such as Everything But Arms initiative of the EU and African Growth Opportunity Act of the United States have many exemptions and rules of origin that would apply to textile and garments limiting their access to these markets.
countries have traditionally used a variety of policies to protect their farmers, among them:
high tariffs and quotas, domestic supports measures, and export subsidies. Tariffs and
quotas have been used to restrict the access to developing countries exports, domestic
support measures have been adopted to insulate domestic producers from the world market
competition, and export subsidies have led to low agriculture prices. These measures have
distorted world markets and led to the production of surpluses in industrial countries.

In short, all those measures have distorted the world agricultural markets and
contributed to the instability of agriculture prices. The loss to industrial countries from
these measures arise from higher prices for domestic consumers, the misallocation of
resources into activities without comparative advantage, and the increased cost to taxpayers
to support these policies. The costs for developing countries arise from the limiting of
exports that negatively affects both employment and growth.

The World Bank has consistently advocated free and open multilateral trade in
agriculture. Before the Uruguay Round, the World Bank supported the inclusion of
agriculture into the GATT rules. The 1982 WDR declared that, “the challenge for policy
makers is to break out of the web of restrictive measures that impede agriculture in some
countries and over-stimulate it in others”. The 1983 WDR noted that due to the industrial
countries’ trade protection and domestic subsidies, the developing countries’ market share
had declined in the industrial countries as well as in third world markets. The 1985 WDR
noted that developing countries’ agricultural exports were affected by NTBs more than
manufactured exports in industrial countries. In addition it included a special report on the
costs of protection of sugar and beef in industrial countries on developing countries.

The 1986 WDR that addressed agricultural trade and pricing policies in world
agriculture and suggested that liberalization of trade should be a high priority for
international action. It cited the case of price support in the dairy industry noting that in
the OECD countries average domestic prices had been roughly double of world prices since
the mid 1960s. However, because large quantities of dairy products were disposed through
international trade, the world prices were also depressed. The report also criticized the
unilateral preferences granted to developing countries as a palliative because they excluded
or placed limits on agricultural products in which developing countries could be most
competitive. The 1987 WDR on trade and industry made a strong case for bringing

agriculture into the GATT system. Every year from 1988 to 1991, the WDRs pointed out the high protection of agriculture in industrial countries. The 1991 WDR noted that subsidies in agriculture increased by 80% in the US, and by 69% in Canada between 1980 and 1985.

When the Uruguay Round was completed and an Agreement on Agriculture was adopted, it was the first time agriculture entered in the GATT/WTO rules and further negotiations for the liberalization of agriculture was agreed upon. The negotiations resulted in four main parts of the Agreement: the Agreement on Agriculture itself; the concessions and commitments on market access, domestic support and export subsidies; the Agreement on Sanitary and Phyto-sanitary Measures; and the Ministerial Decision concerning Least-Developed and Net Food-Importing Developing countries.

The World Bank noted that there was a need to reduce protection in agriculture following the bringing in under WTO rules since it carried the highest rates of protection in industrial countries. For instance, the 1994 GEP noted that a disappointing result of the Uruguay Round was that tariff escalation would continue for agricultural products. The 1995 GEP showed that given the range of exemptions in domestic support, the agreement was unlikely to impose much discipline on agricultural policy. The Bank’s advocacy role in this area was strong noting in particular that after the Uruguay Round agriculture protection has increased due to the method of establishing a base period for tariff reduction due to the particular method of “dirty tariffication”.

Starting from the mid 1990s, the World Bank has been resolute in its criticisms of agricultural policies in industrial countries. The World Bank’s President has in more than a dozen speeches criticized agricultural policies in rich countries and has indicated that it was a huge blemish on trade policies of industrial countries. He noted that it would be more beneficial for developing countries to have industrialized countries open their markets to them, rather than receive further external assistance from them. For example, in the speech delivered at the Third Annual Conference of the Parliamentary Network on the World Bank in Switzerland in June 2002, Mr. Wolfensohn remarked that the while developed countries were providing overseas development assistance at a level of around USD 55 billion per year, the level of agricultural subsidies in developed countries was USD 350 billion per year. Agricultural subsidies in Europe and the United States have exceeded six times the
size of the total of overseas development assistance. This represented US $1 billion per day in assistance to farmers in developed countries. Trade in agricultural goods posted the biggest problem for many of the developing countries where the cost of production is much less but their access to OECD markets is limited because of domestic subsidies and high tariffs.

Overall, the World Bank has consistently demanded a change in industrial countries’ agricultural policies. The World Bank’s message has been loud and clear, and it has used its publications and the President statements to deliver it. The Bank was only partially successful in its advocacy role in agriculture: during the Uruguay Round, the sector entered into the GATT/WTO system and further liberalization was agreed upon. However, agriculture remains to this day the most protected sector in industrial countries. For this reason, the World Bank advocacy while forthright and based on good analysis has not led to significant changes in agriculture policies save for removal of export subsidies and reducing some tariffs in OECD countries. However, overall agricultural protection remains high. It will be a principal issue to be addressed in the Doha Agenda.

2. *International trade rules of the game:*

Special concessions have been given to developing countries in terms of a longer period of adjustment to new rules (e.g. on the issue of production subsidies, Intellectual Property Rights, export subsidies). While there have been accommodations to grant longer periods for developing countries to meet Uruguay Round obligations, some have felt that this has not been enough. Compliance with some of the new regulations has proved costly for developing countries; consequently, in the WTO a proposal to extend the implementation period has been adopted. For example, for TRIPs and TRIMs timelines for implementation of commitments are to be extended. This was a part of the *quid pro quo* that the OECD countries made with the developing countries to proceed to the Doha Ministerial. The Doha Agenda was agreed upon in November 2002. It has implicitly recognized the claims of developing countries, which has brought them to the negotiating table, although the outcome is far from clear at this stage.

The World Bank has done research on the results of the Uruguay Round, and assessed the implications of future WTO negotiations in new areas for developing
countries. Among others, the research done by Finger and Nogues (2001) is noteworthy in the area of the rules of the game. While the World Bank has not always espoused special and differential treatment of the developing countries, it has supported the phasing in of the implementation of the Uruguay Round. Ultimately, with time given for adjustment, all countries would adhere to the same rules of the game. In this sense, special and differential treatment is implicitly time bound. However, it must be noted that the initiatives of some of the OECD countries to give preferences to LDCs have not included any provision for a period of adjustment. This may well be because the preferences are not bound. What industrial countries give as preferences could be taken away at any time.

3. Different standards for entry of products into OECD markets

   Labor and environmental standards and Sanitary and Pyto-sanitary standards (SPS) can act as non-tariff measures of protection. The World Bank has brought these issues to the fore since the mid 1990s when they arose in the relationship between industrial and developing countries. In the case of labor standards, the World Bank’s board adopted the principles ensconced in the International Labor Organization (ILO) charter. This means that Bank projects have to respect labor standards with respect to child labor, slave (or unpaid) labor and recognition of workers rights.

   Various non-transparent standards are now imposed on developing countries’ exports mostly on food products and on particular marine products. Thus, shrimp from many developing countries such as Thailand, Cambodia, and Ecuador have been subject to SPS that have acted as barriers. In the OECD countries these new areas have the potential instruments of protection. New research on these areas is, being undertaken by the Bank.

4. Approaches to exceptional protection

   (Anti-dumping, countervailing duties, and safeguards)
As OECD countries have been reducing their tariffs, there has been a greater use of administrative or contingent protection measures such as antidumping, use of safeguards and countervailing duties to protect their domestic producers. Some have seen those measures as necessary safety valves to support the international trading system from domestic pressures. However, they are not always the best practices and impose important costs on both the industrial and the developing countries. Consequently, the World Bank has been an advocate of transparency in the design and application of those measures and has exposed their protectionist purposes, especially against developing countries.

During the Tokyo Round, GATT signatories negotiated a code on subsidies. This code was ambiguous in its definition of "legal" subsidies, and the proper use of countervailing duties. Moreover, since the code was applied at the national level, it encouraged domestic pressure groups to lobby for them to be used as protective measures. Given the different threshold levels for the use of antidumping and safeguard measure, the former proliferated while the latter was used sparingly.

Many World Bank papers and publications have addressed issues regarding administered protection. The 1986 WDR called for the need of the establishment within GATT of an efficient system of safeguards, to ensure that trade liberalization not be arbitrarily and unilaterally reversed. Finger and Nogues (1987), Finger and Messerlin (1989), and the 1987 WDR, noted that the range and number of cases of administered protection in the 1980s and suggested that they had begun to play an important role in shaping international trade flows. These publications noted that most of these cases were, brought by the industrial countries against developing country exports; this was a matter of concern for developing countries in the Uruguay Round. Messerlin (1989) indicated that strengthening the discipline on countervailing measures would be meaningless without narrowly defining permissible dumping and without strengthening discipline in antidumping procedures.

Additional research led by Finger in his outstanding book 5 criticized the economic underpinnings of AD actions calling them an ordinary protection with “a good public relations program”. During the 1980s it was clear that industrial countries were the leaders.

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in the use of AD and CVD; the 1992 GEP mentioned that the US initiated CVD actions against developing countries more than any other industrial country. However, this changed in the 2000s with the developing countries also beginning to use AD measures on a larger scale than before.

At the end of the Uruguay Round, agreements in Antidumping, Safeguards, and Subsidies and countervailing duties were reached. These agreements circumscribed administrative protection actions. The WTO Anti-Dumping Agreement introduced more detailed rules for calculating dumping margins and detailed procedures for initiating and conducting anti-dumping investigations. It set the rules on the implementation and duration (normally five years) of anti-dumping measures. Similarly, the agreement on subsidies and countervailing measures imposed more discipline on the use of subsidies, and regulated the actions countries could take to counter the effects of subsidies. It determined that a country could use the WTO’s dispute settlement procedure to seek the withdrawal of the subsidy or the removal of its adverse effects. The WTO agreement on safeguards prohibited “gray area” measures, and it set time limits on all safeguard actions. The agreement, eliminated voluntary export restraints, orderly marketing arrangements, or similar measures on the export or import side.

Work done in the Bank after the Uruguay Round showed the drawbacks of the agreements on administrative protection and predicted their future developments. Low and Yeats (1994) predicted that because of the reduction in the incidence of non-tariff measures on developing country exports, the greatest demand for protection would probably come from safeguards and antidumping. Regarding the drawbacks of the agreements, they mentioned that the new safeguard agreement permitted the use of quantitative restrictions to stem the flow of injurious imports. Thus although it tightened the GATT rules in some respects, it loosened them in others. They also indicated that the efforts of several governments in the Uruguay Round to impose additional controls on antidumping had met with little success, and antidumping continued to offer considerable scope for imposing protectionist measures.

The 1995 GEP also addressed the agreement’s drawbacks mentioning that while some uncertainties surrounding the application of CVD were removed, the Uruguay Round
appeared to have done little to constrain the use of AD and criticized the increasing use of those policies by the developing countries in its aftermath.

The 2002 GEP mentioned that countervailing duties and antidumping measures are often implemented in such a way that once these duties were imposed they are almost never withdrawn. For that reason the use of safeguard measures that have a fix duration was preferable, unlike the present situation when the measures could be extended from period to period. The GEP also noted that developing countries were not only victims, but were also perpetrators in the rising use of antidumping measures as protective devices.

To conclude, on the issue of approaches to exceptional protection in the World Bank’s advocacy role, it seems clear that the Bank does not seem to have had a strong impact on the OECD countries. This is not surprising as it is the interests of domestic lobbies in OECD countries that is, the main beneficiary of administrative protection. The Bank has exposed its increased use but by its very nature was not been able to limit them.

IV. Instruments used by the Bank to play the Advocacy Role

1. Economic and Policy Research

The World Bank has chosen topics of importance to the developing countries to play an advocacy role. (See Table 1: World Bank Publications on OECD Trade Policies (Principal issues)) It has analyzed, discussed and evaluated the deleterious effects of some trade policies of OECD countries. World Bank’s research output including Liberalizing Trade (Michaely, Papageorgiou and Choksi 1991), Best Practices in Trade Policy Reform (Thomas and Nash 1991) and Trade, Growth and Poverty (Dollar and Kraay 2001) among others, has shown benefits to trade liberalization in developing countries. It indicated that returns for these efforts would be higher through greater market access to OECD countries. A less appreciated fact about the World Bank’s use of analytical work as an instrument to play its advocacy role is its entrepreneurial role in funding research in fields that are of interest to developing countries such as market access issues in OECD countries. Research done within the World Bank has also informed Economic and Sector Work of the Bank and the Board on issues of interest to developing countries.
A selected list of the research output that relates to trade and to the Bank’s source material for its advocacy role is given in Table 1. The bibliography contains the principal outputs referred to in this paper.

2. **Major Bank outputs in terms of trade policy research and dissemination of information to a world audience as well as to OECD policy makers**

These include WDRs, GEPs, and Development Committee documents that address trade issues and special studies such as the East Asian Miracle Study, Aid and Development, Rethinking the Asian Miracle, among others. A perusal of the WDRs shows that the World Bank staff was unabashed in their criticisms of OECD countries’ trade policies that led to adverse impacts on developing countries from the first WDR in 1978, to the WDRs of 1986, 1987, 1991, and later WDRs culminating in the 2002 WDR. (See Table 2: World Development Reports 1980-2002)

It is noteworthy that these research outputs and the issues that they have highlighted would reach the OECD policy makers through four principal channels. First, through the discussion in the World Bank Board, which include both research and lending operations that impinge on OECD policies. Second, other researchers and policy makers in both developing and industrial countries would use these outputs to understand the issues relating to market access, international rules of the game and other issues in the trade area to articulate their own policies and to make the case for developing countries. Third, OECD policies may be directly influenced by the positions taken by the World Bank on trade. The important point here is that the World Bank by bringing on board the latest research on trade theory and policy acts as a conduit to carry new developments to the policy-making arena. These ideas and research results can stand on their own merit. But, World Bank support for would give them additional weight. In this respect the WDR’s have played a yeoman’s role to bring out policy positions into the open outside the academic community. Finally, the connection between lending operations and support for policy reforms in developing countries give an additional degree of support to the World Bank to carry its views on open trade and market friendly policies to both the OECD countries who are partners with the World Bank. They are important members who have funded the Bank at
its creation and contributed to various capital increases as well as continued to fund IDA replenishments.

V. Policy Statements by Bank Management

These include President’s speeches, Chief Economist’s statements, and declarations by spokespersons that represent the World Bank management’s views on the OECD countries’ trade policies vis-à-vis developing countries. (See Table 4: World Bank President’s and Chief Economist Speeches on Trade). In the past Presidential speeches spoke to the issue of OECD countries’ market access, specially following trade, agriculture and industry related WDRs. Presidential speeches have taken key messages from the WDRs to give them wider and high-profile dissemination.

Most recent addresses by the Senior Vice President for Research have emphasized market access issues in OECD countries. Some (Bhagwati and Panagiriya 2002) doubt whether the industrial country protection is in fact the main culprit restricting developing countries exports. They note that up to the border problems are more important than the door to the OECD countries’ markets, pointing out that it is difficult to get out exports to the ports of the country itself due to domestic policies. There is a lot of truth to this statement, particularly due to the “behind the border” constraints, but barriers found in the OECD countries are significant in particular areas such as agriculture, textiles, and clothing and other manufactures like footwear.

VI. Evaluation of the Bank’s role as an Advocate for developing countries

1. Were the right issues identified regarding the impact of OECD trade policies on developing countries?

Beginning in the 1980s trade policy issues received increasing attention in the World Bank. In that connection, the World Bank presented a strong case on behalf of the developing countries in particular emphasizing the need for OECD market opening. This is not to say that this role was not envisaged or played out before the 1980s. But two oil shocks in the early and late 1970s and a debt shock in the early 1980s as well as a world recession that began in the mid 1970s had put developing countries at risk and they needed
all help not only in terms of finance but opportunities to realize larger gains from trade than had been possible in the past. Developing countries’ own protection denied them the full realization of these gains. But in addition, limited access to OECD markets reduced the returns to good policy reforms, which these countries embarked on following the three shocks.

The greater emphasis on trade during the 1980s which lasted until the mid 1990s arose from a number of sources: (a) new and convincing evidence had emerged in both research and in the actual experience of a few developing countries that had liberalized their trade regimes. During the 1950s and 1960s, trade was not seen as particularly friendly to economic development. (b) when the external shocks made balance of payment positions non-sustainable, the World Bank rose to the occasion and provided Structural Adjustment Loans (SALs), in the first instance to ride out the shocks but in addition to support policy reforms that would improve development performance and the ability to withstand future shocks. Trade issues comprised some 80% of the conditions that were associated with SALs. There had to be some parallelism between industrial and developing countries in their approaches to international trade, to ensure that the benefits to the reforms undertaken were not being limited by barriers to the new exports that were emerging. (c) as seen above, developing countries faced protection in the very activities in which they had comparative advantage, such as in textiles and garments, agriculture and light manufactures. They also faced significant tariff escalation that acted as a constraint to these countries production and exports going up the value chain. Moreover, given the world welfare view of the Bank, such barriers stood in the way of a better international division of labor harming both the exporting and importing countries. And, as Balassa had shown through the concept of a ladder of comparative advantage, barriers that prevented one set of countries from progressing would also constrain all those on the lower rungs of the ladder from proceeding forward. (d) compared to the past, the World Bank was more ready to bring on board research done outside the Bank to influence its policy stances, thus playing its role as an intermediary for ideas between industrial and developing countries more than before.

As noted above the World Bank did pursue right issues with regard to trade and advocated its role vis-à-vis OECD country with greater emphasis than before. Its the
intellectual effort and actual experience allowed the Bank to do this more than before. The Bank itself had changed its role from a project oriented institution to a project plus policy oriented institution. This change put it at the center of the debate on market access. Moreover, the Bank also began to work more closely with the GATT/WTO. Earlier, a formal relationship existed with the GATT and the IMF. But in the mid 1990s the World Bank became more actively supportive of the WTO, signing a memorandum of understanding between the Bank and the WTO to pursue common areas of interest and be consistent with each other’s policies.

In the mid 1990s there was a shift in emphasis away from supporting trade reform because SALs had become unpopular in world public opinion. In part the senior bank management had also concluded that what has to be in achieved in trade reforms was already achieved. In part other issues came to fore that crowded out the trade agenda. The IMF stepped into the role, introducing trade conditionality in its Standby programs. This was very apparent from the type of trade conditions that the IMF introduced in Standby following the Asian financial crisis of 1998 on South Korea, Indonesia, and Thailand among others.

However, beginning in early 2000, the World Bank returned to the trade arena. Early that year, members of the World Bank board had raised the issue as to why the World Bank had not put more resources to work on trade. The Board asked the staff to provide a quarterly report on the Bank’s work on trade. Thus there was a new invigoration of trade work in the Bank that placed it in a stronger position than in the early 1990s to play an advocacy role. It is for this reason that the Bank had undertaken work on services, behind the border barriers and was looking into new forms of protection such as the proliferation of administrative protection measure and technical and health standards that could act as protective devices.

This paper finds that the Bank did pursue the right issues. Developing countries exports faced higher protection compared to industrial countries exports, given the widespread use of high tariffs and NTMs. The World Bank’s work had anticipated the new types of protection that were emerging. Moreover, the World Bank had brought them to the notice of the world and the OECD countries.
2. **Was there consistency in the advocacy of these issues in terms of time, across different sectors and audiences?**

Initially (i.e. in the 1970s), the World Bank went along with import protection policies as an essential ingredient in industrial development. This changed in the 1980s when the World Bank placed more emphasis on export promotion. In the 1990s, the World Bank seems less clear on its stance whether the emphasis on export promotion was justified. But some work done outside the Bank (e.g., Lawrence and Weinstein 2002) showed that import protection was more harmful than originally thought for various reasons including the fact that it clogs up the conduit of knowledge both in terms of technology and market know how. For example, those who now claim that China, Japan, Korea, Vietnam, and Thailand got it right by postponing import liberalization did not realize that these countries may have foregone growth earlier than they expected. Econometric work on Japan and Korea by these authors bear this point. Moreover, work by Michaely, Papageorgiou, and Choksi (1991) had made that point earlier in their study on liberalizing trade regimes; Edwards (1993) also came to the same conclusion.

However, it must be noted that the conditions must be right to liberalize the trade regime. Unstable macroeconomic conditions and restrictions on the flow of domestic resources from the protected to the more competitive sectors could vitiate the gains from import liberalization. Nevertheless, the most forceful argument is that the import tariff is a tax on exports (Lerner symmetry theorem). This has been empirically established in the case of a few countries including the US (Irwin 1997).

3. **What was the quality of the analysis behind the issues that the Bank has advocated vis-à-vis the OECD countries? Were the conclusions warranted?**

This paper finds that the Banks trade policy work was of good quality that helped to play its advocacy role effectively. This applies to WDRs and policy research in general. However, there is less quality control in country related ESW. Few evaluations done in the past on ESW showed problems; unevenness of quality, depending on the issues analyzed and which region had done it. This applies to trade and market access issues.
In the late 1990s, fewer resources have gone into analytical work on trade to the detriment of its quality. This is particularly true with respect to country economic work. And it may have weakened the case made by the Bank for market access in OECD countries in case of some developing countries.

4. What areas can be deemed to have been successful and what areas were not successful in terms of the changes in policies of OECD countries with respect to the issues raised by the Bank?

As indicated above, the success or failure of the World Bank’s advocacy role is not easy to establish since there are many players who influence OECD policies including the member countries within the OECD itself.

Nevertheless, subject to this caveat, the World Bank has consistently raised issues of importance for the developing countries. However if one measures success as the outcome of trade negotiations it could be concluded that the World Bank achieved only partial success perhaps due to the nature of the problem itself. The World Bank cannot be held responsible for lack of progress for speeding up the liberalization of textiles and garments or the continuing protection of agriculture, or the increased usage of antidumping all over the world.

The evidence for the above positions is the citations of World Bank Studies in OECD Publications. See Table 5: Citations of World Bank studies in OECD Publications.

V. Conclusions

The World Bank has played an important advocacy role on behalf of the developing countries vis-à-vis the OECD with respect to trade issues. This role has been supported by the World Bank’s own in-house policy research as well as by acting as a conduit for academic research through its flagship publications such as the WDR, the GEP and policy papers.

Equally, speeches by the World Bank president have carried forward this advocacy role in the world’s leading forums such as the Davos and providing background material for the Group of Eight. These speeches have emphasized that access to the OECD market could be a powerful way of supporting the development aspirations of poor countries that
could go well beyond the resources provided by OECD countries. The resources provided by industrial countries, is much smaller than the loss of income generating opportunities though it increased exports. The figure for agriculture subsidies in the European Union is a telling figure. In early 2000, it has been five times the resources provided through aid.

The World Bank’s emphasis on trade issues in general and its advocacy role in this area, vis-à-vis OECD has gone through three main phases. Before the 1980s, the Bank did not emphasize trade issues as much as it did in the 1980s. With the increased use of SALs, the important research findings that showed the role of trade as a handmaiden of development could be supported. In addition, actual experiences of some developing countries that have benefited greatly through trade such as the East Asian countries gave the Bank the moral high ground to advocate for greater market opening in OECD countries.

While the principal message of delivered by the World Bank with respect to OECD has been consistent with respect to increased market opening, there were changes in emphasis in the message over time. In the 1960s and 1970s, the World Bank went along with the prevailing view that poor countries could use import substitutions at the early stages of development. But this changed in the 1980s when the Bank supported trade liberalization and supported the opening of developing country markets to import competition. The message to the OECD could be then made more forceful, that if the poor countries could liberalize fast as they did, why not the rich countries, particularly the OECD countries. Moreover, the Bank showed the high cost in terms of forgone income of developing countries when OECD trade barriers persisted. With the Uruguay Round, negotiations in progress, the Bank was able to make a sound argument for joining the multilateral trading system. Many of the developing countries that had remained outside the GATT realized that they would gain more by joining the negotiations and staking a claim. The World Bank provided the needed research to support this effort even though it did not weigh in on the side of the developing countries in the negotiations process itself.

After emphasizing export promotion measures, the Bank began to emphasize import liberalization as the means of creating a competitive domestic environment as well as an important conduit for upgrading technology to raise living standards. Later research (Lawrence and Weinstein 1999) provides evidence to support this view even for the very successful exporters such as South Korea and Japan. More recently the Bank has
emphasized behind the border measures. This is appropriate given the situation many
developing countries face in their own domestic market. Thus transactions costs, trade
facilitation, and domestic competition are emphasized now.

To summarize the following conclusions emerge:

1. the World Bank has played an important role in bringing trade issues of
developing countries to the forefront and advocating on behalf of the
OECD countries.

2. the quality of the analysis has been good in the area of policy research
and in acting as conduit to bring the latest research to bear on trade
policy issues particularly with respect to market access.

3. while the message has been consistent with respect to market access, the
World Bank did not pursue trade issues to the same extent during the
period from the mid 1990s to early 2000. This was due to the crowding
out of trade issues by other issues such as the environment, gender and
empowering the poor, which are by themselves important issues. This
shift was also due to the reduction in SALs and policy-based loans as the
Bank moved towards being a more project oriented Bank. The IMF took
over part of the slack by introducing trade conditionality in its Standby
programs.

4. the Bank took the mantle on trade issues again in early 2000 and this is
reflected in new initiatives on behind the border protection, policy
research on services administration protection and technical standards.

5. the message on trade vis-à-vis the OECD has been delivered at the
highest level by the President and the Chief Economist in 2000 and
beyond.

6. while it is difficult to ascribe the Bank advocacy role to the liberalization
of OECD markets, it has also not been able to convinced OECD
countries to eschew protection in agriculture, textiles and clothing and in
escalation of protection in manufacture. Nor has it been successful in
improving the rules of the game by limiting the recourse to
administrative protection in the form of AD, CVD and the use of
safeguards. But equally, it could be said with some confidence, without
the Bank advocating on behalf of the developing countries they would
have not had the access to OECD markets they began to achieve sine the
mid 1990s.
Appendix A: Sources and Methods:

Two approaches were adopted sources. First, to examine the documentation related to the World Bank’s advocacy role including the bibliography given below, and peruse Board documents related to its discussions on trade policies. Second, examine the prime trade policy outputs of the main OECD Governments (e.g. the QUAD) with a view to establishing the extent to which Bank policy and research outputs were used or cited in these documents.

Similarly, two approaches were adopted with respect to examining the success or failure of the advocacy role. First, to examine the extent to which OECD country policy changes have trailed World Bank advocacy with respect to trade. For example, the acceptance of a delay in the implementation of Intellectual Property Rights or the acceptance of the principle of duty free and quota free access of exports of least developed countries following the Bank’s and WTO advocacy of this stance. Second, to link limited success of the World Banks’ advocacy role in specific areas to well-entrenched resistance to providing greater market access. This could be due to trade union power in the OECD countries, resistance in a particular sector or the presence of strong lobbies such as the Green parties that resist free inflow of goods on environmental grounds.

It was deemed possible to analyze Bank as a message giver and OECD as a message receiver. Hence the paper looked at OECD citations of World Bank’s work as a measure of the extent to which the messages have been received and noted.
Table 1A: World Bank Staff Studies on Trade Policies of OECD Countries, 1987-2002

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<tr>
<th>NAME</th>
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<th>Unrestricted market access for Sub-Saharan Africa - How much is it worth and who pays?</th>
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<td>Giving least developed countries full duty- and quota-free access in the Quad for peak-tariff products.</td>
<td>Unrestricted access for all products to the entire QUAD market would produce significant benefits for SSA</td>
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<td>Effects of the multibre arrangement on developing countries' trade: an empirical investigation</td>
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<th>An evaluation of the main elements in the leading proposals to phase out the Multi-Fibre Arrangement</th>
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<td>The MFA is harmful to developing countries exports</td>
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<th>NAME</th>
<th>A formal estimation of the effect of the MFA on clothing exports from LDCs</th>
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<td>The MFA greatly affects developing countries because the MFA restrictions are imposed discriminatively on the exports from developing countries.</td>
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<td>Support to Agriculture in OECD countries distorted the World Agricultural Markets.</td>
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Table 1C: World Bank Staff Studies on Trade Policies of OECD Countries, 1987-2002
# Table 1D: World Bank Staff Studies on Trade Policies of OECD Countries, 1987-2002

<table>
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<tr>
<th>NAME</th>
<th>International control of subsidies and countervailing duties</th>
<th>The Uruguay negotiations on subsidies and countervailing measures: past and future constraints</th>
<th>The effects of industrial countries’ policies on developing countries</th>
<th>Dumping and antidumping: the rhetoric and the reality of protection in industrial countries</th>
<th>Nontariff measures and developing countries: has the Uruguay Round leveled the playing field?</th>
<th>Developing country goals and strategies for Millennium Round</th>
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<td>AD CDV is protectionism</td>
<td>The Tokyo Subsidy Code - countervailing actions against developing countries may be more likely.</td>
<td>Agriculture Subsidies - Tariff Escalation - AD - CVD -</td>
<td>AD is protectionism</td>
<td>Safeguard and antidumping will be used as protectionist devices</td>
<td>Enriched protectionism in developed countries—for example in agriculture or maritime services, or textiles</td>
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Table 1E: World Bank Staff Studies on Trade Policies of OECD Countries, 1987-2002

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<th>NAME</th>
<th>Strengthening the global trade architecture for development</th>
<th>The impact of EC-92 on trade in developing countries</th>
<th>Linkages between trade and the promotion of development</th>
<th>The unbalanced Uruguay Round outcome: the new areas in future WTO negotiations</th>
<th>Developing countries and the Uruguay Round of trade negotiations</th>
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<tr>
<td>AUTHORS</td>
<td>Bernard Hoekman</td>
<td>Halwart, A.J. Hughes</td>
<td>J. Michael Finger</td>
<td>Julio J. Nogues</td>
<td>de Paiva Abreu, Marcelo</td>
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<td>MESSAGE</td>
<td>Reduction of Tariff Peaks in products of interest of developing countries - High Tariffs on Textiles - High Tariffs on Agriculture - Subsidies in Agriculture - Disciplines contingent protection as AD - No linkages with labor and Environment - Competition Policy is not ready for multilateral negotiation - Investment negotiation have to take into account developing countries concerns - Duty Free Access to LDC in OECD /</td>
<td>EC wide barriers can replace national barriers - EC Technical Standards may be tougher than national standards - CAP is protectionism - Increase use of NTB</td>
<td>In textiles and clothing the current Multifibre Arrangement (MFA) limits developed-country exports of these commodities to developed countries through detailed country-specific agreements negotiated in parallel with the MFA - but agricultural trade has remained largely outside the negotiations and continues to be relatively more protected - The recent recession intensifies protectionist pressures. Import restrictions such as those on automobiles, steel, agricultural products, and textiles have increased. The actual incidence of restrictions, especially those against developing-country exports, could become even greater if protectionist pressures are not contained. - Most industrial countries continued to increase their resort to protectionist measures. These frequently took the form of non tariff barriers negotiated on a bilateral basis outside the GATT framework, thereby further weakening the open multilateral trading system. Trade restrictions were extended or intensified, particularly in the agricultural, steel, automobile, textiles and clothing, and electronics sectors.</td>
<td>Slow liberalization of textiles under the MFA - High Agricultural Subsidies of OECD</td>
<td>The most relevant costs of protection for developing countries as a whole relate to the value of forgone exports, displaced by protection in industrial countries. Agricultural protectionism in developed countries has serious consequences for prices, trade volume, and welfare, as does the very different intervention of the developing countries by the rise in non tariff barriers. The effect of tariff peaks, high internal taxes, and tariff escalation on processed tropical products is well known. If a 10 percent ceiling were set for tariffs, imports of developed countries would rise by 1.5 percent, as against 4.9 percent if all tariffs were eliminated. Developing economies as a group would gain from an abolition of MFA.</td>
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<td>Some Agricultural Products remain constrained by heavy protection in Japan and Western Europe. Textiles and Clothing elaborate mechanism to control imports have become more entrenched, reducing the chance of their earlier removal. In some industrialized countries, imports on footwear and some consumer electronic goods are still subject to fairly stringent quotas. Tariff escalation inhibits exports of processed products from developing countries.</td>
<td>Tariffs remain high in some sectors—particularly those of interest of developing countries exporters. Tariff escalation—Removing the tariffs on processed varieties of eight agricultural products. Disturbing development in trade restrictions. MFA, safeguards, antidumping and countervailing duties. Many subsidies were overtly protectionist.</td>
<td>Protections has taken the form of NTB, quotas, voluntary restraints, antidumping, countervailing duties, safeguards and the increase of subsidies. Unlike tariffs many of those are bilateral outside the scope of the GATT. Today's institutionalized restrictions were yesterday temporary measures. In contrast to the situation in most developing countries, agriculture in the developed world is heavily protected and supported. EEC, USA and Japan have high protection levels and subsidies. Little progress was made in the Tokyo Round in reducing agricultural protection.</td>
<td>High Protectionism in Agriculture. Tariff and NTB against clothing and textile imports from developing countries grew. Recession rose protectionist pressure.</td>
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Table 2: World Development Reports 1980-2002 (Main Themes on Trade)

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<td>MESSAGE</td>
<td>Increased protectionism in industrial countries against developing countries’ exports reduces the export earnings that developing countries would otherwise obtain. Detrimental to their capacity to import and to service their debt. Protectionism can adversely affect the developing countries terms of trade. New Protectionism: Escalation, NTB in Agriculture, Steel - Footwear- MFA - Quotas VER</td>
<td>NTB's on developing countries’ exports are higher than industrial countries’ exports. MRN should focus on NTB and effective system of safeguards. Agricultural trade policy has been excluded from multilateral negotiations. Protectionism in Agriculture: Variable Imports Levies, Exports restitutions, High Tariffs, Imports Quotas- Preferences: Lome. CBI. GSP: limited benefits, partly because are restrictive, exclude or place limits on precisely those products in which developing countries could be most competitive.</td>
<td>Developing countries subject to NTB, VER, Tariff escalation. Demands to combat &quot;unfair&quot; trade are protectionism and attack the basis of trade - comparative advantage. GSP limited gains -sectors excluded. Urged more open trading system: include agriculture, MFA to be phased out. Safeguards amend to assure access to developing countries' exports. CVD-AD reform.</td>
<td>Specific safeguards actions taken by industrial countries increasingly discriminate against developing countries. VER, MFA, and quotas have their greatest effect on the exports of developing countries. The share of developing countries exports that face NTB is roughly 20 percent, about twice the share of industrial countries exports. Protection in Agriculture. Increase in bilateral trade agreements. UR need to take care of those issues.</td>
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### Table 2: World Development Reports 1980-2002 (Main Themes on Trade)

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<td>MESSAGE</td>
<td>Trade reform in developing countries is much more likely to go ahead if success in trade is not punished. Use of quotas, subsidies, VER, CVD, and AD has risen alarmingly since the 60’s. Subsidies in Agriculture increased by 80% in the US, and by 69% in Canada between 1980 and 1985. It remains to be seen in regional blocs will support or hinder the goal of more open global trading system. UR must be revived to eliminate quantitative restrictions, open agriculture, and restrict the use of the so-called fair trade legislation.</td>
<td>Trade sanctions, which may be little more than a cover for the introduction of protectionist measures, may be implemented in ways that have little to do with child labor.</td>
<td>Agricultural trade grew only 1.8% from 1985 to 1994. One reason for this slow growth is the continuing protection of agricultural products by developed countries - protection not only through tariffs and quotas but also through subsidies. High tariffs in products of interest of developing countries. High income countries’ agricultural tariffs and other distortions, such as subsidies, have been estimated to cause annual welfare losses of $19.8 billion for developing countries - equivalent to about 40 percent of the development assistance given to developing countries in 1998. For manufactured goods, tariffs facing developing country exports to high income countries are, on average, four times those facing industrial country exports to the same market. Tariff escalation can discourage industrialization efforts in developing countries.</td>
<td>The benefits of trade liberalization for developing countries would be significantly enhanced if industrial countries also reduced their tariff and nontariff barriers, especially on agriculture and textiles. Industrial country support to agriculture rose from 31% of gross farm receipts in 1997 to 40% in 1999. Much of the liberalization under the MFA has been on products that were not under restraint to begin with. The initiatives of industrial countries to liberalize exports from LDC needs to be extended to all products. Even after the elimination of MFA developing countries still face high tariffs.</td>
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Table 3: Global Economic Prospects (OECD and other Trade Themes)

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<td>High Tariffs in products of interest of Developing countries. NTB- VER, AD, 24 OECD economies are on balance, more protectionist now that they were ten years ago. NTB in sectors of interest of developing countries. Escalation on processed commodities.</td>
<td>Restrictive trade policies in industrial countries affect prospects for developing countries exports of manufactures. AD - CVD - VER - MFA - Domestic subsidies - MFA</td>
<td>Protectionism in OECD markets is particulary vexing for aid-receiving countries. Exports of developing countries would increse if the OECD tariff and NTB were removed. &quot;Trade not Aid&quot;</td>
<td>A disappointing result of the recent UR is that tariff escalation will continue for agricultural products. NTB, quotas, variables levies, exports subsidies, AD, CVD in agriculture. The total transfers provided to agriculture in OECD countries amounted $350 billions in 1992 or about six times the official development finance provided to developing countries.</td>
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<td>Escalation remains. The UR apperas to have done little to constrain the use of AD. Trade policies are not suited to deal with labor and environmental standards.</td>
<td>Important and real external obstacles to growth in trade remain, including the spread of antidumping practices, agricultural protection, and the MFA phaseout will likely to be delayed until 2005. *The importance of tariff escalation has been exaggerated given the special relations and conditions of market access of developing countries in OECD markets.</td>
<td>NTB in agriculture - High Tariffs in sectors where the developing countries have comparative advantage. Agricultural subsidies. Tariff escalation. Quotas -</td>
<td>Extent duty free access to all LDC exports in Quad Countries. Removal of distortions in agriculture: reduce MFN tariffs, peaks, quotas, subsidies. Expand access in labor - intensive manufactues, phase out remaining quantitative restrictions MFA, reduce escalation, tariffs, peaks.</td>
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**Table 4: World Bank President’s and Chief Economists Speeches on Trade 1995-2003**

<table>
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<tr>
<th>NAME</th>
<th>The challenges of globalization : the role of the World Bank</th>
<th>Global Trade and the &quot;Development Round&quot;: Seizing the Day</th>
<th>Remarks at the Tenth Ministerial Meeting of UNCTAD Rethinking Development — Challenges and Opportunities</th>
<th>Building an Equitable World Address to the Board of Governors Prague, Czech Republic</th>
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<td>Barriers to developing country exports in industrialized markets continue to severely disadvantage poor countries. Industrialized countries spend more than $300 billion a year on agricultural subsidies...</td>
<td>It makes no sense to urge poor countries to reform their economies, to urge them to compete and &quot;pay their way in the world&quot;, while denying them the means to compete. But this is what we do in practice, by restricting their market access in areas like agriculture, construction and textiles. A first step would be to endorse Mike Moore's call for completely liberalized access for the exports of the 48 least-developed countries. we must quickly reduce agricultural protectionism in high-income countries.OECD agricultural protection – even after the reforms of the Uruguay Round – causes annual income losses for developing countries of nearly $20 billion a year.</td>
<td>If we care about the poorest developing countries, a special focus is needed on agricultural trade liberalization. In addition, liberalizing market access for HIPC countries is an essential complement to debt relief. As I said in my remarks at the WTO meeting in Seattle, it makes no sense to exhort poor countries to compete and pay their way in the world while we simultaneously deny them the means to do so, by restricting their market access in areas such as agriculture where they have a comparative advantage. But this is precisely the effect of the current structure of developed country agricultural protection, including export and producer subsidies as well as import tariffs. In Seattle, I called for completely free market access, not just for agricultural products, but for all exports of the LDCs. Today, I call for the same treatment to be applied to the countries eligible for debt relief under the HIPC Initiative.</td>
<td>Third, developed countries must dismantle trade barriers to poor countries. Our estimates indicate that the annual costs of all trade barriers by industrial countries are more than double total development assistance.</td>
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<td>I have been immensely critical of the OECD countries in terms of protection against agricultural imports, from which many developing countries would profit. In fact, if we were to remove the tariffs on agricultural products between OECD and developing countries, between $20 and $25 billion worth of extra trade would flow into developing countries.</td>
<td>We need to address the trade barriers that the LDCs face. A recent Bank study shows that if the US, the European Union, Canada, and Japan gave free access to LDCs, net exports from LDCs would increase by about 11 percent; non-oil exports from sub-Saharan African countries would expand by 14 percent. It is time for rich countries to get serious on trade as their part of the compact. They spend close to $300 billion on agricultural subsidies, more than five times the official financial flows to all developing countries, and an amount roughly equal to the total GNP for all of sub-Saharan Africa. Even today, developed country tariffs on meat, fruits, and vegetables—all primary exports from the developing world—can exceed 100 percent.</td>
<td>Industrial countries must also get serious on trade. Barriers to developing country exports in industrialized markets continue to severely disadvantage poor countries. Industrialized countries spend more than $300 billion a year on agricultural subsidies. That is roughly equal to the total GNP for all of Sub-Saharan Africa. And yet even today developed country tariffs on meat, fruits, and vegetables—all primary exports from the developing world—can exceed 100 percent. Debt relief without increased market access is a sham.</td>
<td>At the G8 meeting in Canada rich countries must end the hypocrisy on trade that says “do as I say, not as I do.” Worldwide, agricultural subsidies in developed countries to the tune of $350 billion a year, are 7 times what countries spend on development assistance and roughly equivalent to the entire GDP of Sub-Saharan Africa. Those subsidies are crippling Africa’s chance to export its way out of poverty. Rich countries must dramatically reduce these subsidies. In addition to efforts to improve market access, and reduce trade-distorting subsidies in agriculture, I urge leaders meeting in Canada at the end of the month to take immediate action on a number of fronts.</td>
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| NAME | Implementing a Global Partnership for Poverty Reduction  
Keynote Address delivered at Peking University  
Beijing, China | Parliamentary Actions and Cooperation for Poverty Reduction  
Speech delivered at the Third Annual Conference of the Parliamentary Network on the World Bank (PNoWB)  
Parliament of Switzerland, Berne, Switzerland | Banking, Finance and International Development - Areas for Cooperation in Poverty Reduction  
Speech delivered at the 14th International Frankfurt Banking Evening  
Frankfurt, Germany | Opening Address at the Annual Bank Conference on Development Economics (ABCDE)  
Washington, D.C |
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<td>Leadership in the developed world needs to grasp the opportunity presented in Monterrey to take the next important step to create that more stable and peaceful world, countries so that they help to build individual programs that are relevant and can make a real difference. Second, they must move forward on the issue of trade openness, recognizing that without market access poor countries cannot fulfill their potential no matter how well their policies. Third, rich nations must also take action to cut agricultural subsidies - subsidies that rob poor countries of markets for their products. Farm support goes mainly to a relatively small number of agribusinesses, many of them large corporations, and yet those subsidies of $350 billion a year are six times what the rich countries provide in foreign aid to a developing world of close to 5 billion people.</td>
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<td><a href="http://www.worldbank.org/html/extrd/extme/jdwsp051002.htm">http://www.worldbank.org/html/extrd/extme/jdwsp051002.htm</a></td>
<td>The developed countries are providing overseas development assistance at the level of around USD 56 billion per year. The level of agricultural subsidies today in developed countries is USD 350 billion per year. Agricultural subsidies in Europe and the United States run at six to seven times the size of the total of overseas development assistance. This represents USD 1 billion per day in assistance to farmers in developed countries. The issue of trade and in particular the issue of trade in agriculture and agricultural goods is the single biggest problem for many of the developing countries where the cost of production is much less but where access to the market is limited because of subsidies and tariffs. Consequently, the trade element is not made possible for the developing countries to work their way out of their problems and increase the standard of living. You will therefore find in all our statements a vigorous attack on subsidies. It is almost the most important issue in terms of development. And we need openness of trade because we don't want handouts, we want the ability to work our way out.” Here I would like to point out that we're giving $55 billion in one form of aid or another and spending $350 billion a year on agricultural subsidies, seven times the size of overseas development assistance. So we have a lot to do to try and change the paradigm of development.</td>
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<td><a href="http://www.worldbank.org/html/extrd/extme/jdw">http://www.worldbank.org/html/extrd/extme/jdw</a> sp050702.htm</td>
<td>You all know that agricultural subsidies are running at $350 billion a year just from the developed countries, and overseas development assistance is somewhere a bit north of $50 billion. So just on the single issue of agricultural subsidies and trade, you've got seven times the amount in agricultural subsidies that you have in development assistance, quite apart from the opportunities that come from trade when you have development in a country and you give them access to other markets, all of which you know better than I. The second aspect of the agenda, the centrality of trade, was again reaffirmed in Monterrey, as was the so-called Doha round, but the hopes were that action could be taken even before the end of the Doha round to try and open markets, as was done with the U.S. Africa Growth and Opportunity Act and the “everything but arms” policy in Europe.</td>
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Table 4: World Bank President’s and Chief Economists Speeches on Trade 1995-2003

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<th>NAME</th>
<th>Speech delivered at the Inauguration of the International Institute for Corporate Governance, Yale School of Management The Role of Corporate Governance in Development New Haven, CT Remarks to the Plenary Meeting Financing For Development Conference Monterrey, Mexico Keynote Address delivered at the Woodrow Wilson International Center A Partnership for Development and Peace Washington D.C WORLD TRADE ORGANIZATION MINISTERIAL CONFERENCE Fourth Session Statement by Mr James D. Wolfensohn President of the World Bank Delivered on his behalf by Mr Ujri Dadush, Director, Economic Policy Group</th>
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<tr>
<td>AUTHORS</td>
<td>Wolfensohn, James D. Wolfensohn, James D. Wolfensohn, James D. Wolfensohn, James D.</td>
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<td>MESSAGE</td>
<td>...We want trade so that you open your markets to us... That, by the way, is crucial because if the countries develop and there's no opportunity for trade, or the markets are closed, then any amount of ODA is not going to do the job. I mean, just to give you the numbers, Overseas Development Assistance is at $50 billion per year, while the subsidies for agricultural products globally are $350 billion a year. So we are, at once, saying to people that we'll increase ODA by 10 or 15 billion and the developed countries are subsidizing against the very production of those countries with $350 billion a year. Trade is the second thing in NEPAD which the Doha Round is seeking to deal with. Nor can we shrink from taking action on trade. We must keep urging rich countries to tear down trade barriers that harm the world's poorest workers, depriving them of markets for their products. Yes there will be powerful lobbies ranged against any such action. But it is the task of leaders to remindelectorates that lowering of trade barriers will not cost the rich countries anything in the aggregate; they gain from freer trade in these areas, far in excess of any short-term costs of adjustment. There is little sacrifice required, no excuse for failing to take action that would leave all countries better off. Rich nations must also take action to cut agricultural subsidies - subsidies that rob poor countries of markets for their products; subsidies that are six times what the rich countries provide in foreign aid to the developing world. Trade and agriculture must be a crucial part of the new global deal. Second, they must move forward on the issue of trade openness, recognizing that without market access poor countries cannot fulfill their potential no matter how well their policies. The European Union's lead on the Everything But Arms Agreement, and America's lead on the African Growth and Opportunities Act should be followed by other rich countries now - and the benefits extended to all low income countries to end the trade barriers that harm the poorest nations and poorest workers. This action does not need to wait on WTO agreement. Third, rich nations must also take action to cut agricultural subsidies - subsidies that rob poor countries of markets for their products. Farm support goes mainly to a relatively small number of agribusinesses, many of them large corporations, and yet those subsidies of $350 billion a year are six times what the rich countries provide in foreign aid to a developing world of close to 5 billion people. Under the umbrella of the WTO it is critical to improve market access focusing in particular on the products that are most important to the poor: agriculture and labour-intensive manufactures. Labour? intensive manufactures and agricultural markets remain extensively protected in both OECD and developing country markets. Protection in agriculture comes in part through production and export subsidies, which are running at close to $1 billion per day in OECD countries, more than five times the level of international development assistance. We estimate that complete liberalization of merchandise trade and elimination of subsidies could add $1.5 trillion to developing country incomes. Unilateral actions by industrialized countries can do much to improve the ability of the poorest countries to use trade as an instrument for poverty? reducing growth. Improving market access for exports of the Least-Developed Countries (LDCs), home to 600 million of the world's poorest people, is particularly important.</td>
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### Table 4: World Bank President’s and Chief Economists Speeches on Trade 1995-2003

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<tr>
<td>AUTHORS</td>
<td>Joseph E. Stiglitz</td>
<td>Joseph E. Stiglitz</td>
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<td>TYPE</td>
<td>Senior Vice-President and Chief Economist Speech</td>
<td>Senior Vice-President and Chief Economist Speech</td>
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**MESSAGE**

As developing countries do take steps to open their economies and expand their exports, in too many sectors they find themselves confronting significant trade barriers—leaving them, in effect, with neither aid nor trade. They quickly run up against dumping duties, when no economist would say they are really engaged in dumping, or they face protected or restricted markets in their areas of natural comparative advantage, like agriculture or textiles. In these circumstances, it is not surprising that critics of liberalization within the developing world quickly raise cries of hypocrisy. Developing countries often face great pressure to liberalize quickly. When they raise concerns about job loss, they receive the doctrinaire reply that markets create jobs, and that the resources released from the protected sector can be redeployed productively elsewhere. But all too often, the jobs do not appear quickly enough for those who have been displaced; and all too often, the displaced workers have no resources to buffer themselves, nor is there a public safety net to catch them as they fall. These are genuine concerns.

Second, and a related point, is that we must continue working to stem the tide of the new protectionism in the West. The last two decades have seen a rise in the use of creative new measures to block imports. Examples include nuisance anti-dumping claims, lodged under laws that often make little economic sense; countervailing duties that similarly lack objective justification; and barriers to genetically altered products, which are likely to become steadily more important as developing-country exports make greater use of those products. Developed countries often have the luxury of large and well-paid legal and lobbying industries in their capitals, industries that can be quite innovative in devising new means of restricting competition. From an equity standpoint, it is essential that we stamp out these innovations as energetically as we work to lower developing-country barriers to trade.

**Reports**

1994 (1)
Methodologies for Environmental and Trade Reviews
Citations: 0

1995 (2)
Environmental Principles and Concepts
Citations: 0

Trade Principles and Concepts
Citations: 0

1996 (2)
Trade Liberalisation and Changes in International Freight Movements
Citations: 0

Tariff Escalation and the Environment
Citations: 8

1997 (10)
ECO-Labelling: Actual Effects of Selected Programmes
Citations: 0

Experience with the use of Trade Measures
Citations: 0

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Citations: 2

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Citations: 0

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Citations: 13

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Citations: 0

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Citations: 0

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Citations: 0
Freight and the Environment
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Experience with the use of Trade Measures
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1998 (3)
The Environmental Effects of Trade Liberalising Trade-Distorting Measures
Citations: 0

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Citations: 0

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Citations: 0

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Citations: 1

Wholesale trade services
Citations: 3

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Citations: 2

Environmental Services: The Win-Win role of trade liberalism in promoting environmental protection and economic development
Citations: 2

International Trade and Core Labour Standards
Citations: 6 (including 2 citations, 4 in bibliography)

2001 (17)
A Decade of Trade Liberalisation in Transition Economies
Citations: 16 (including 5 citations, 11 bibliography)
OECD Global Forum on Trade: Trade Policy Issues: The Labour Competition and Environmental and Competition
Citations: 3 (1 citation, 2 bibliography)

Electronic Commerce: A Cluster Approach
Citations: 2

The Uruguay Round Agreement on Agriculture
Citations: 13 (5 citations, 8 bibliography)

Trade Policy Implications of the New Economy: Preliminary Thoughts
Citations: 1 (bibliography)

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Citations: 2

Regional Integration: Observed Trade and Other Economic Effects
Citations: 14 (2 citations, 12 bibliography)

Measuring the New Economy: trade and investment dimensions
Citations: 5

Quantification of costs to national welfare from barriers to services trade
Citations: 6 (3 citations, 3 bibliography)

Open Services Markets Matter
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The of “Special and Differential Treatment” at the Trade, Competition and Development Interface
Citations: 2 (1 citation, 1 bibliography)

The Impact of the terrorist attacks of September 11 on International Trading and Transport Activities
Citations: 1

Business Benefits of Trade Facilitation
Citations: 7 (3 citations, 4 bibliography)

The Relationship between Trade and Foreign Direct Investment
Citations: 8 (all bibliography)

Synthesis Report on Parallel Imports
Citations: 1 (bibliography)
The Relationships between regional trade agreements and the multilateral trading system
(services)
Citations: 4

Regional Trade and Multilateral Trading System
Citations: 4 (2 citations, 2 bibliography)

Analysis of Non-tariff measures
Citations: 3 (1 citation, 2 bibliography)

Transparency and Simplification Approaches to Border Security
Citations: 2 (1 citation, 1 bibliography)

First Joint WTO/OECD Report on trade-related technical assistance and capability building activities
Citations: 2

2003 (7)
The Role of Russia’s Regions in Trade Policy
Citations: 2

Analysis of Non-Tariff Measures
Citations: 2 (1 citation, 1 bibliography)
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