

**EMPIRICAL STUDY ON THE ROLE OF THE POLICY COHERENCE IN THE  
WORLD TRADE INTEGRATION**

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**ABSTRACT**

*In the high times of the globalization and liberalization of the economies worldwide has been seen as a result of the multilateral trade relations and the advent of the World Trade Organisation. The signing of the GATT and membership of the multilateral institutions such as World Bank and International Monetary Fund has brought the international trade at an open business platform wherein anybody can do business in any country without any hassle. All this is possible due to the emergence of the national policies towards the international adaptable policy regime. This policy coherence which has enabled the economies to design the policy framework acceptable to the international business economies and units, has contributed to the growth of the multilateral trade and developmental activities. The paper studies the emergence and role of policy coherence in the national policies as adaptable to the international trade policy framework and regime.*

**KEYWORDS:** - Policy Coherence, International Trade, WTO, GATT, Multilateral Trade, National Policy

**DISCUSSION**

The policy coherence has been defined as the designing of the national economic policies in accordance with the internationally accepted trade norms and principles. This is because of the fact that the real benefits of the globalization can only be availed if there is an adequate capital inflow in the economy from outside of the country. At the same time, it is also important to harness the trade opportunities if available outside the country. To meet this purpose,

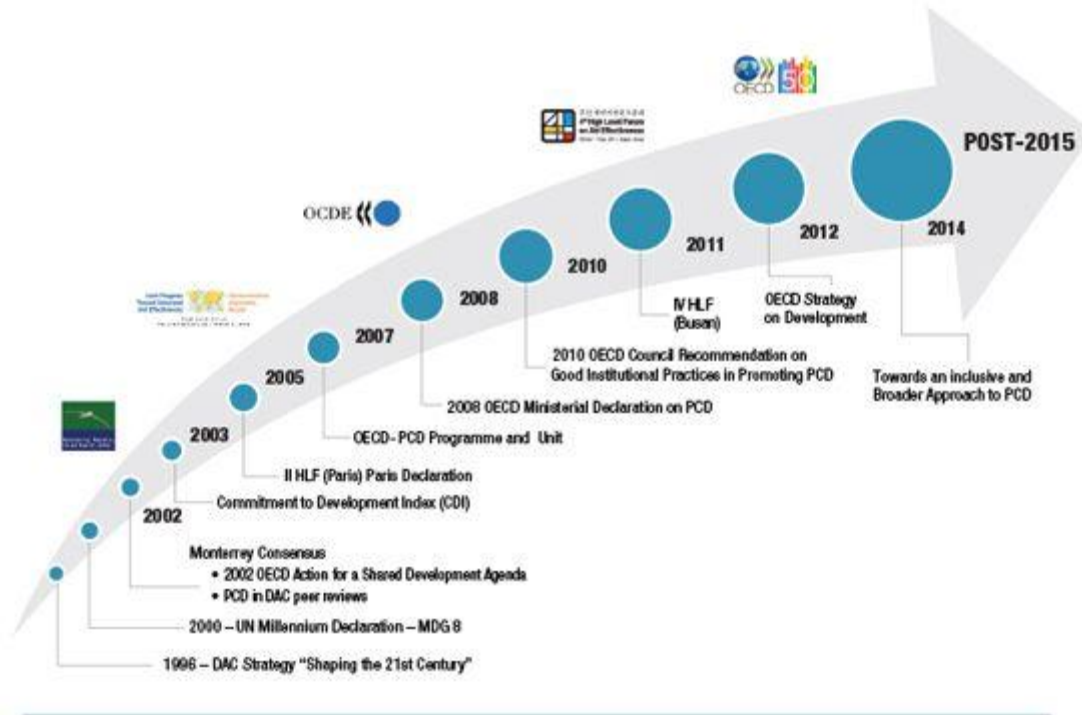
policy adoption and adaptation is considered by the world economies. The national policies are opened up to meet with the international and globalized system of the trade and business. Policy coherence has been used as a tool for the promotion of the foreign investment in the countries by the governments of the developing as well as the developed economies. Policy coherence is in the evolution stage. It has been adopted to bring more and more transparency in the national laws in conformity of the multilateral trading regime. The multilateral institutions like WB, WTO and IMF have constantly been advocating for the policy coherence to promote the trade and commerce at the international level in a transparent and independent regime. There have been various multilateral agreements which have been made the governments feel the importance of the policy adoption and internationalization of the national policies. The cross border trade has been witnessed a sharp increase in the wake of policy compatibilities due to the adopted policy coherence.

The evolution of the policy coherence is started way back in 2000 with the adoption of the Millennium Goal by the General Assembly of United Nations. This has followed by the UN/WTO conventions held from time to time. The joint declaration adopted by the UN/WTO is signed by the member countries which paves the way to adopt the policy coherence tool by the member economies worldwide. The formation and accord to the OECD has also brought the policy compatibilities in the national economic laws and framework. The WTO has insisted the need of compatibilities and common framework for all the business and trade issues as far as the same is considered at the international level.

Following figure elaborates the evolution of the policy coherence since its initial stage to the present scenario. The figure explains the factors

responsible for the evolution and adoption of the policy coherence at the international and multilateral level.

**Figure 1: Policy coherence for development: a concept in evolution**



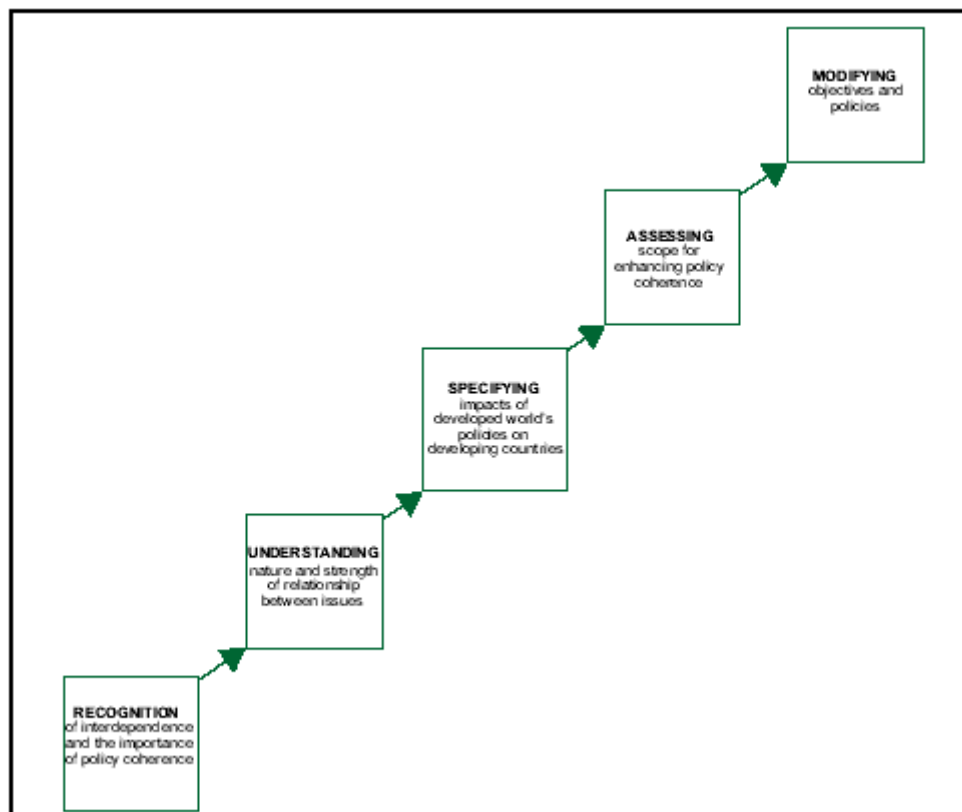
The evolution stages have taken its recognition since the inception of the UN Millennium Goals Declaration of 2000. This has been followed by the OECD Strategy on Development and WTO Ministerial Declarations.

The policy coherence has also been promoted by the regional trade groupings like NAFTA, SAFTA, SAARC, ASEAN, EU etc. All these regional economic groupings have led the participating economies to bring more and more similarities and common framework on the policy instruments of regulating the cross border trade and commerce. The common framework could only be possible if they work on to understand the common requirements and common treatment to those requirements. The regional trade groups and associations have adopted the policy coherence in such a way that they formed an exclusive regional trade hub which is same and similar in structure as in all the member countries of these regional trading blocs.

### **ADOPTED FRAMEWORK FOR POLICY COHERENCE**

Policy coherence process is started with the identification of the key areas of the policy framework. It is then followed by the specifying the key issues which need to be in conformity with the general international norms and aspirations. These issues are then studied as to how these can be addressed in order to give a compatible policy framework which will be acceptable and appreciated by the foreign investors.

The policy coherence can better be explained and reviewed with the help of the following figure: -



As suggested by the figure above, the policy coherence is brought via below mentioned key activities: -

- Recognition of the need of policy compatibilities and coherence with the international law on the same law.
- Understanding the nature and implication of the issues requiring address under the policy coherence.
- Specifying and indentifying the policy instruments of the developed nations on the similar issues.
- Assessing the impact of the policy coherence on the investment inflows within the country due to policy coherence.
- Modification of the policy framework if the policy coherence requires the same in order to achieve the common objectives at international level.

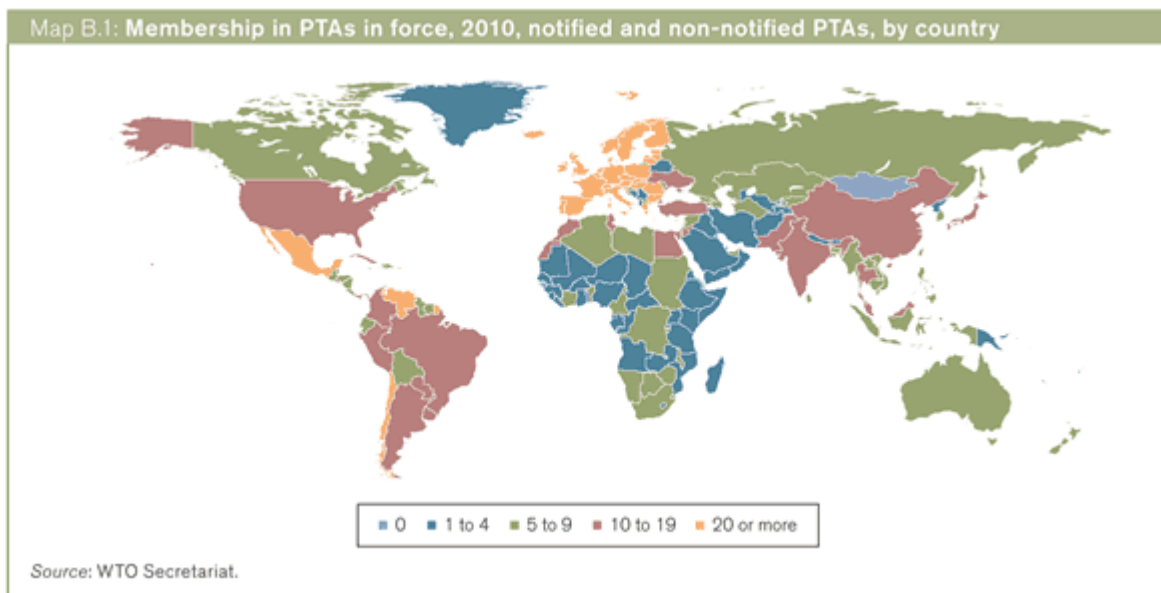
Above mentioned steps of the policy coherence are the imperative parts of the liberalization process as well. The policy coherence is needed as there must be the liberalization in the policy which is sometimes a barrier to the foreign investment. The liberalization is sought because of the advantages of globalization to be availed by the policy framing country.

#### **REVIEW OF THE VALUE ADDITION BY THE POLICY COHERENCE**

The policy coherence has worldwide provided the instances of global compatibilities on the common issues such as sustainability and inclusive growth. The policy coherence has advantaged the world economies in respect of increased volume of cross border trade and investment. The multilateral trade and its achievements worldwide have justified the role of policy coherence.

The increased number of preferential trade agreements worldwide has resulted in the conclusion that it is the policy coherence which has made this possible for the world economies to engage with each other in the trade and commerce activities which has the

compatibilities regarding the policy instruments. The same can be justified with the help of the following figure showing the increased cross border trade cooperation and engagement due to mutual acceptance as resulted by the policy coherence.



The figure shows the increase in the international understanding justified by the agreements signed by the world economies. The cooperation has increased manifold. The international trade and commerce has witnessed a commendable growth rate. All this is possible because of the policy coherence adoption by the developing and developed countries.

## CONCLUSION

In the conclusion, it can be strongly advocated as far as the policy coherence is concerned. The increase in the international compatibilities and cooperation in the form of multilateral, bilateral as well as regional trade agreements has justified the true contribution of the policy coherence. The creation of the regional trading blocs has again underlined the increase conformity in the policy instruments of the countries having similar developmental goals and objectives.

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