BRIEFING PAPER
SOUTH ASIA WATCH ON TRADE, EONOMICS AND ENVIRONMENT
No. 1 Year. 2002

THE CHALLENGE OF THE WTO: RETHINKING STRATEGIES

Introduction

The argument that trade liberalisation would automatically result in high economic performance and growth and thus lead to poverty alleviation and development was compelling enough for developing countries to endorse the Uruguay Round Negotiations (URN) that culminated in the creation of the World Trade Organisation (WTO). However, the statistics today show that trade liberalisation, both under the General Agreement on Tariffs and Trade (GATT) and the WTO, has not benefitted the developing countries. The global race for globalisation and liberalisation has spurred global trade but the benefits to the poor have remained meager. In fact, this asymmetry of enormous wealth and prosperity in the richer economies as contrasted with abject misery and acute poverty in others is the striking face of the current trend of globalisation and trade liberalisation.

The paper argues that the global trading regime cannot claim to be global unless it takes on board developing country concerns and places developmental issues at the core of the trading agenda. However, developing countries need to rethink their strategies because the system as it exists today is not going to change unless the developing countries adopt a more pro-active stance and recognise that any country would only be interested in its own welfare. Blaming developed countries is therefore not a solution.

Free Trade is a "moral imperative"

(President George Bush, New York Times; 26 June 2001)

It is no exaggeration to say that the creation of the WTO was the single most important development for the global trading system in the twentieth century. The transition from GATT was essentially a systemic transition from an agreement to a more structured body with a well-defined set of rules which placed the WTO on the same legal, organisational and influential standing as the International Monetary Fund (IMF) and the World Bank.

The emergence of the WTO has furthermore lent a new meaning to the term 'globalisation' because it has come to be seen as being synonymous with the integration of national economies into the global economy or the Multilateral or Global Trading System. Today, almost every country is a member of the WTO and those that are not, barring a few exceptions, are in the process of accession. Indeed, it is speculated that over the next years, the WTO could emerge as the single most important global institution in the world, rivaling if not surpassing the United Nations (UN) in terms of its influence. This is more so because while WTO decisions are binding on Member States, the same is not true with regard to the UN.

Such a role for the WTO was never envisaged by its creators and there is growing apprehension and concern, especially among developing countries, that the WTO would only perpetuate existing inequalities in the global system. In subtle and not so subtle ways, attempts are being made by developed countries to draw non-trade issues into the trade agenda. Unless developing countries are vigilant, issues like human rights or governance could be part of the WTO's vocabulary.

There is, however, increasing acceptance of the dominant role that the market would play in determining global power structures. Economically powerful countries could accordingly wield far greater influence in global affairs than weaker economies. The poor countries are likely to continue to be marginalised unless the benefits of trade liberalisation contribute to economic prosperity and welfare (or development, to use another phrase) in the weaker and vulnerable economies as well.

It bears mentioning that while trade liberalisation, both under the GATT and the WTO, has spurred global trade, the benefits have essentially accrued to the developed countries, barring a few exceptions. This asymmetry of enormous wealth and prosperity in some countries as contrasted with abject misery and acute poverty in others is the striking face of globalisation and trade liberalisation today.

In this regard, it may be recalled that GATT was tilted in favour of developed countries and successive trade rounds concentrated on industrial goods while completely excluding textiles and clothing and agriculture, all of which are areas in which the developing countries have an interest and advantage. In each of these sectors, powerful domestic lobbies in the developed countries adopted a fortress approach to market liberalisation. Even under the WTO system, agriculture continues to be a major stumbling block through a total opposition to any form of reduction in the enormous subsidies that developed countries are today providing. The recent US decision in this regard to provide subsidies to the tune of US$ 80 billion per annum over the next 10 years is a good reminder of the steps developed countries would take to protect their domestic industries.

While the plight of the developing countries is well-known, negotiations both at Geneva and at the time of the Ministerial Conferences have continued to be partisan and reflective of developed country concerns and interests. For a variety of reasons, developing countries failed to make any substantive gains in any of the rounds and indications suggest that Mexico (where the Fifth Ministerial Conference of the WTO is going to be held) might very well be a re-play.

This raises a whole host of questions, particularly with regard to the obligations and responsibilities that the global trading regime ought to have in a new world order. Most of these questions are essentially developing country driven as the current manner and style of the WTO's operation suggests that it is 'a rich man's club'.

Barely seven years into its existence, such questions are disturbing. However, let us consider some basic facts which demonstrate how the WTO has failed the poor countries:

Seattle and the Build-up to Doha: The Fear of Globalisation

Post-mortems of the collapse of the Third WTO Ministerial Conference at Seattle in 1999 and its implications for global economic integration have been highly negative. Some had even suggested that it was the most serious setback for the world trading system in recent memory, primarily because developing countries saw the threats, bamboozling and arm-twisting tactics by developed country delegations at Seattle as a betrayal of trust and of good faith *(See the Box: 1)*.

It is therefore worthwhile to recall some of the Ministerial Statements that were made by the poorer countries at Seattle. The GRULAC (Latin American and Caribbean Group of Countries) Minister's Declaration expressed:

a) "To the host country, *our profound surprise and resulting anger at the organisation and lack of concern* for providing the high dignitaries and delegates attending the Ministerial Conference with minimum conditions of security, and for allowing in some cases, physical and verbal aggressions against the distinguished guests.

b) To the authorities of the Conference and the WTO Director General's office, *our express disagreement with the way in which the negotiations are being conducted at the Ministerial Conference*, a way that shows a parallel course of action between discourse oriented to transparency and the participation by the delegations, and a process of limited and reserved participation by some members which intends to define the scope and extent of the future negotiating round that all member countries are to adopt. *We are particularly concerned over the stated intentions to produce a ministerial text at any cost, including the modification of procedures designed to secure participation and consensus.*

c) To all WTO members, their strong conviction that, *as long as conditions of transparency, openness and participation that allows for adequately balanced results in respect of the interests of all members do not exist, we will not join the consensus required to meet the objectives of this Ministerial Conference."* (emphasis mine)

In a similar statement, the Trade Ministers of the Member States of the Organisation of African Unity (OAU) said much the same thing including:

"We wish to *express our disappointment and disagreement* with the way in which negotiations are being conducted at this Third WTO Ministerial Conference. *There is no transparency in the proceedings and African countries are being marginalised and generally excluded on issues of vital importance for our people and their future.* We are particularly concerned

Box 1

Expectations Belied?

In the build-up to Doha, developed countries consciously tried to underplay the arm-twisting in Seattle and used it moreover, as an excuse to suggest that future trade negotiations ought to be more developing-country friendly. That was in fact the strategy adopted, even by the WTO Director General. It is essential however to remember that Seattle was by no means an aberration. It bears, at the outset, to recall that integration, by definition, is a process of co-opting everyone and everything into a larger space, which is inclusive and not exclusive. Yet, at Seattle, the poorer countries ended up feeling isolated and left out. Indeed, many developing country delegations returned with the distinct impression that the real 'success' of Seattle lay in resurrecting the North-South divide. As a result, a sense of disenchantment, uneasiness and fear characterised developing country perceptions of the Multilateral Trading System. They began to see such a system as being heavily loaded in favour of the relatively more powerful actors and resulting thereby, in the marginalisation of others. They returned from Seattle being convinced, more than ever, that WTO was essentially a power-based system and that it could never be, nor perhaps was it ever meant to be, 'an equal club'. They saw this as confirmation of their worst fears.

over the stated intentions to produce a ministerial text at any cost, including at the cost of procedures designed to secure participation and consensus. *We reject the approach that is being employed and we must point out that under the present circumstances, we will not be able to join the consensus required to meet the objectives of the Ministerial Conference."* (emphasis mine)

These were by no means statements couched in diplomatic niceties and the need to allay developing country concerns was accordingly and increasingly appreciated by the richer countries, especially if they were to ensure that the Fourth WTO Ministerial Conference in Doha (Qatar) did not to end as a Seattle-revisited fiasco.

Pascal Lamy, Member of the European Commission, enunciated one of the main factors behind the failure in Seattle as being the perception by less developed countries that their interests were not properly taken into account.[1]

Commissioner Lamy went on to suggest, "I believe the time has come to think about a new formulation for our position. We must *get ready to go further towards a position acceptable to less developed countries,* as it is clear that these countries are not yet convinced (about the benefits of a new round)."[2] [emphasis mine]

The Japanese and the Europeans jointly acknowledged that building broad support for a round among developing countries would be difficult without a breakthrough on problems involving implementation of existing trade agreements, which many poorer WTO members say must be addressed before they can agree to further trade liberalisation talks.[3]

At the same time, despite unambiguous opposition by developing countries to the launching of a new round of trade negotiations at Doha, the European Union (EU) leaders had met at Sweden and categorically endorsed, "The launch of an *ambitious and balanced new round of multilateral trade negotiations remains the objective of the Union."* (emphasis mine)[4]

The Statement further added, "All WTO Members are urged to work constructively *and flexibly* to forge concessions in Doha." (emphasis mine)[5]

Surprisingly, Mike Moore, the Director General of WTO who represents all WTO Members and thus, is expected to maintain strict neutrality, did not hesitate in trying to persuade developing countries to accept a new round of trade negotiations. This is particularly telling since the majority of developing countries had repeatedly expressed their firm opposition to a new round and insisted that in the first instance, their concerns on implementation issues and other lacunae in the URN be addressed upfront before bringing in new issues. All this once again vitiated the atmosphere even before the Doha Conference had begun, understandably drawing parallels with the failed Seattle Conference. The language with which the draft Ministerial Declaration was dismissed by the developing countries as being totally wanting and unreflective of developing country concerns is particularly telling in this regard.

Indeed post-Seattle saw a swelling in the ranks of the critics of globalisation[6], both in developed and developing countries, albeit for different reasons. In developing countries, die-hard anti-globalisation pundits argued that they had all along pointed out that free trade could never be fair trade since WTO was essentially a power-based system.

A host of negative information was cited to challenge the thesis that globalisation was good for all: Why should developed countries deny market access to imports from least developed countries (LDCs) when such imports accounted for barely 0.5 percent of total world trade? How was it that 447 billionaires now have wealth greater than the income of one-half of humanity? How does one explain that around 100 multinational corporations control one-fifth of all foreign owned assets in the world and that five corporations now market between 60 percent to 90 percent of all wheat, maize and rice and just three corporations now market 83 percent of trade in cocoa? If the system was to benefit all countries, how is it that the poorest 20 percent in the world shared just 1 percent of global gross domestic product (GDP)?

In a recent article[7], Robert Wade of the London School of Economics found concluded that richer countries had indeed grown richer and that inequalities had increased significantly. All this lends a certain degree of sobriety in what is purported to be 'the gains of trade liberalisation'.

This would suggest that the debate as to what globalisation is and what globalisation does has not yet been conclusively resolved. There is, in other words, no consensus that greater economic prosperity and enhanced human welfare would be a natural consequence of trade liberalisation and the integration of national economies into the world economy. Indeed, it is argued by some that the opposite would, in fact, occur and that poorer countries would be further marginalised.[8] In other words, that globalisation would succeed only in concentrating wealth in the hands of the already rich and result in the increase of poverty in the majority of the world's population, coupled with unsustainable patterns of production and consumption.[9] The 1999 Human Development Report of the United Nations Development Programme (UNDP) emphatically cautions against the unequal and inequitable spread of the opportunities and rewards of globalisation as it would result in concentrating power and wealth in a select group of people, nations and corporations, marginalising the others.[10]

Dismissing the fears and concerns of the poorer economies, as being exaggerated and misplaced, is no longer therefore an option. Developed countries have recognised that they need at least to be seen as addressing developing country concerns, if the global trading system is not to be irreparably damaged. This would suggest a candid assessment of globalisation itself to ascertain why there is a loss of confidence among the developing countries and what, therefore, needs to be done.

The anti-globalisation sentiment in developing countries appears essentially to be based on the belief that globalisation, as it is being advocated today, places excessive emphasis on trade liberalisation as a developmental strategy. The 'core' concern of developing countries appears to be that trade liberalisation *per se* cannot improve human welfare. Such an argument would suggest that if issues such as development cooperation, technology and resource transfer, special provisions for developing countries etc are relegated to the background or ignored, it is because the global trading system is biased in favour of the richer and more powerful economies. Put simply, developing countries appear to be arguing that the current philosophy of globalisation does not put human beings at the center. In other words, unless globalisation has a human face[11], it cannot succeed, as it would not find acceptance among the poorer and weaker nations in the world. Trade liberalisation cannot, therefore, be the sole variable to characterise globalisation.

This suggests that unless the development paradigm of globalisation consciously addresses poverty, which is the core concern of developing countries, the efficient functioning of the global trading system will be seriously jeopardised. This is principally because developing countries may no longer feel convinced of the gains of globalisation. Negotiations either at Geneva or at venues of Ministerial Conferences would be reduced to platforms for rhetoric which would split the global relationship along distinct North-South lines. Clear battle lines would be drawn up since the relationship would be based on mistrust and on confrontation, and therefore, not contribute towards strengthening the global trading system. Recognising and addressing the 'core' concerns of developing countries are, therefore, critical.

The Myth of Development and the Denial of Market Access

The argument that trade liberalisation would automatically result in high economic performance and growth and thus, lead to poverty alleviation and development was compelling enough for developing countries to endorse the URN that culminated in the creation of the WTO. Today, there is widespread support that the negotiations were loaded in favour of the developed countries and that it is fair comment to make that the URN were unfair and unbalanced. However, correcting the anomalies meant re-opening the Agreements already entered into and the developed countries took the 'legal' stance that this might only be possible if they were compensated in some form through the introduction of new issues and further market liberalisation. Already disadvantaged, the poor countries were left with little, if any, negotiating maneuverability.

The URN however did go a major step forward in integrating agriculture, textiles and clothing into the Multilateral Trading System. Special and differential treatment was also integrated into the Agreements and there was a general sense of optimism among developing countries who felt that these would result in greater market access. Indeed, the Preamble to the Agreement categorically recognises the development dimension by acknowledging "that there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development."

This was of course a major departure from GATT where for the 50 years of its existence, the development dimension was never integrated into the Agreement, despite GATT 1947 having a full section devoted to trade and development. It spoke of raising standards of living and progressive development of contracting states but hardly any developing economies experienced 'development' under the GATT regime. There is now fear that the Uruguay Round Agreements (URA) or the WTO would go the same way. This is principally because the URA suffer from inherent and inherited asymmetries and an in-built developed country driven bias.

Since the development dimension is linked to trade and trade in turn is linked to market access, it is pertinent to briefly scan the market access story. In this regard, developed countries have erected a series of barriers, some highly ingenuous and innovative, others reasonably predictable. For developing countries the main strength lies in low-wage costs. This is reflected in a number of traditional sectors such as textiles and garments, footwear, etc. However, market access is today being denied through the invocation of non-tariff measures. These range from labour standards (or the social clause) at one level to environmental standards on the other. In other words, non-trade issues are drawn into the trade agenda to deny market access *(See Box: 2)*.

Box
2

Export of Garments Denied

Bangladesh was severely affected when its export of garments into the United States (US) market was denied because of the use of child labour. As a result, Bangladesh had to give a written commitment and undertaking that it would remove child labour from the work place. Around 50,000 children were thrown out of the factories. They did not however find their way into the education system; rather most of them entered the informal sector and many others took to crime and prostitution. Nevertheless, the point that is pertinent is that market access was denied to Bangladesh garments.

Today, labour standards is likely to emerge as one of the principal non-tariff barriers to trade, second only perhaps to environmental standards which is also being invoked by developed countries. This is of course notwithstanding the fact that the maximum devastation and degradation to the environment has been caused by the developed countries, whether in terms of ozone depletion, global warming or the dumping of hazardous wastes.

Furthermore, in the textiles and clothing sector, developed countries have been exceedingly slow in eliminating quota restrictions. By June 2000[12], the US had only eliminated 13 out of 750 quota restrictions, the EU 14 out of 219 and Canada 29 out of 295. Liberalisation of the textiles sector continues therefore to be slow and sluggish. The story is much the same with regard to agriculture which continues to be adamantly protected by the developed countries. However, in this particular area what is perhaps heartening for the developing countries is that the developed countries do not have a common position and fissures are now clearly visible.

As regards agriculture, the subject of food security is of particular relevance for developing countries. They have argued that it needs to be seen as a non-trade concern and should be set as a goal in itself. This suggests that countries need to concentrate on their domestic production capabilities for ensuring assured supplies of food grain. Trade cannot therefore be made the singular basis for policy making in the agricultural sector and if it is, it would seriously undermine the domestic production of foodgrain[13]. Food security constitutes in fact, one of the core concerns of all developing countries.

Yet another area of denial of market access is through sanitary and phytosanitary (SPS) measures. The application of stringent specifications has acted as a severe deterrent to export to these countries. At the same time, there is no uniformity whatsoever in these standards. For instance, only 15 countries are allowed to export fresh, chilled or frozen poultry meat to the EU, 5 may export to the US, one to Canada and none to Australia! The only justification for such widely differing standards adopted by developed countries is selectivity in market access.

For developing countries therefore the URA offered little benefit. The rapid growth of trade in the last 50 years saw growing prosperity in the richer countries accompanied by growing poverty in the poorer countries *(See the Box: 3)*.

Box 3

Inequalities around the World

The share in world GDP of the 49 LDCs fell from 0.6 percent in 1980 to 0.4 percent in 1993. There has been no improvement since then. In 1965, the average per capita income of G-7 countries was 20 times that of the world's poorest seven countries; by 1995 it was 39 times as much. Furthermore, UNDP[14] points out that 1.3 billion people live on less than US $1.5 per day and that 3 billion people live on less than US $ 3 per day. The richest 1 percent receives as much income as the poorest 59 percent. The richest 10 percent in the US (around 25 million people) had a combined income greater than that of the poorest 43 percent of the world population (that is around 2000 million people).

These are sobering statistics that point to the gross inequalities in the system and the fact that development is not the objective of the WTO, even if it is loudly proclaimed to be so.

In this regard, two facts are worth mentioning: Firstly, the so-called Development Agenda and secondly, the Doha Ministerial Declaration. The Director General of the WTO has repeatedly announced that the real success of Doha lay in taking note of the concerns of the developing countries and in this connection he talks of Doha being a Development Round[15]. Following Doha, the WTO has embarked upon a major exercise and created the Technical Cooperation Division. Development is now equated with training and capacity building which is imparted through a series of seminars and workshops. Notwithstanding its importance, it would be somewhat unprofessional to believe that training results in development. Furthermore, para 16 of the Doha Ministerial Declaration is on market access for non-agricultural products which is of primary interest to the developing countries. Progress in this particular subject is nil to date as no developed country is interested in the same. Progress on other subjects which are of interest to the developed countries is however being accelerated so that negotiations may take place in the Fifth WTO Ministerial Conference in Mexico. The story therefore, remains the same: the poor remain marginalised.

Interestingly, the definition of what constitutes 'development' is now being questioned. The Doha Ministerial Meeting is essentially being dubbed as a Development Round because one of the principal agreements was that (para 38) "the Secretariat (was instructed), in coordination with other relevant agencies, to support domestic efforts for mainstreaming trade into national plans for economic development and strategies for poverty reduction. The delivery of WTO technical assistance shall be designed *to assist developing and low-income countries in transition to adjust to WTO rules and disciplines, implement obligations and exercise the rights of membership, including drawing on the benefits of an open, rules-based multilateral trading system.*" (emphasis mine). Very clearly therefore, what is envisaged is that there would be a technical assistance programme and that technical cooperation and capacity building cannot be the sole instruments through which either mainstreaming trade into national plans could be achieved or poor countries implement obligations that arise which they need to fulfill so as to draw on the full benefits of participating in the WTO system. The US Deputy Trade Representative is however questioning this 'broad' definition of development which goes beyond training and capacity building[16]. The US position is that the WTO cannot and should not engage in technical assistance which also embraces development aid. Many developed countries are likely to take such a position and claim that there are other agencies like the UNDP or United Nations Conference on Trade and Development (UNCTAD) or the International Trade Center (ITC) which is in a better position to undertake this responsibility. There is an inherent contradiction however in this because if liberalised trade is not helping the poor countries because they currently lack the wherewithal to derive this benefit, the so-called development agenda needs to first address why the countries are not benefiting and then, to assist in taking the corrective measures. This is likely to however increase costs for the developed countries which have for sometime now argued on the need to decrease developmental aid and assistance or at least, to tie them with certain political and other goals, which could be 'good governance', support for foreign policy, etc.

Handicapped Negotiating Skills and Flexibility

Trade negotiations are never easy. Preparing for the negotiations is the first task and there is almost always a wide gap between delegations on this score, for a variety of reasons. This has been one of the principal reasons why developing countries have not succeeded either in projecting their interests effectively or protecting these at the negotiations.

Claims that the Multilateral Trading System would result in enormous benefits for all through global trade liberalisation enthused the poorer countries, many of which saw it as a sort of fast track to economic prosperity. This possibly explains, but does not justify, the fact that most developing country delegations were not fully prepared at the time of the URN, which turned out, as some skeptics argue as being GATTastrophic for the developing and LDCs. However, at the time of the Seattle Conference and its build-up in Geneva, the developing countries took a far more activist role than in previous GATT negotiations. While there was no common South-position or approach to the Seattle Conference, there was general agreement among the developing countries that the URN were unbalanced, in that they imposed significant obligations on the South without providing either sufficient rights or effective access to the markets in the North. At Doha similarly, a like-minded group of countries comprising developing countries regularly consulted and forged common positions but interestingly, at Doha itself the group caved in to pressure from developed countries with India as the sole country resisting the pressure. We will come to this later.

There exists considerable variation in the level of understanding of the different WTO instruments and thus, of participation in the negotiation process itself. This is understandable and may be attributed to a number of reasons. First, not all developing countries have Embassies in Geneva and those that do, do not have a separate and adequately manned Mission to the WTO. This results in the Ambassador to WTO also being accredited to a whole host of other international organisations located in Geneva, such as International Labour Organisation (ILO), World Health Organisation (WHO), World Meteorological Organisation (WMO), etc and thereby, imposes considerable burden on the diplomatic personnel who are required to shuttle from one meeting to another on subjects as wide-ranging as human rights to the Agreement on Agriculture (AoA)! As a result, the WTO does not receive the attention that it merits.

One of the principal reasons why poorer countries are not in a position to man their Missions with the required number of personnel is because of the prohibitive costs of locating persons in Geneva. Indeed, the costs of posting a single person in Geneva are equivalent to a substantial percentage of the developmental budget of many poor countries. According to a recent study[17] more than a third of the non-resident countries have a per capita GDP of less than US$ 1 per day and for some, it is around 50 cents per day. More than two-thirds of the non-residents have an overall national income level at or below that. Most are therefore very small economies, dependent on single or few commodity exports. Debt repayments - or where debt relief has started recently, reallocation of funds to healthcare and education, comprise major budget priorities. Furthermore, one-man WTO Missions are not the solution since developed countries invariably ensure that a series of Committee Meetings take place simultaneously, forcing a choice to be made with regard to which meeting to attend. Such a state of affairs is naturally not desirable.

The WTO along with other agencies is now trying to address how this matter may be resolved. While this might appear to be a sound and positive step to address the lacunae currently existing, there is need for caution and vigilance. Simply having representation does not in any way guarantee that developing country interests would be protected. Apart from negotiating skills, developing countries need the extra ability to be able to stand up to developed country tactics and pressure. This has however not been realistically feasible so far. In Seattle for instance, the arm-twisting and the bamboozling were blatant and shamelessly executed. At Doha itself, a new element in the negotiating strategy was introduced: the telephone! Indeed, 'difficult' negotiators were plainly instructed by capitals to bend their knee. Telephone calls were made to Heads of State or Government and protests lodged and even threats (veiled or otherwise) issued, to ensure that delegations behaved. Clear trade offs were part of the bargain and these very rarely had to do with trade. Promises of smooth talks on IMF loans and developmental assistance were made and in the immediate short-run, Governments found these to be far more tangible benefits than objecting to complex WTO obligations which in any case, they were in no position to fulfill. In such a scenario, simply having resident missions in Geneva or upgrading negotiating skills vis-à-vis the WTO Agreements is not going to guarantee either development or the protection of developing country interests.

Second, many of the developing countries are still in the process of trying to understand the implications of the various WTO Agreements. Countries like India, Pakistan, Malaysia, Egypt, Brazil for instance, are consciously engaged in an effort to build a cadre of personnel familiar with WTO Agreements and specialising in the same. This is however not the case with most of the other developing and least developed countries. As a result, the level of appreciation of WTO related issues is not sufficient to enable effective trade negotiations.

Third, only a few of the countries are engaged in a transparent consultative process with all concerned stakeholders. Unless this is done and broad based consensus obtained on the negotiating stance, countries would find themselves stymied once again at the negotiating fora. This requires intense consultations and a transparent analysis of the implications of the Agreements by inviting comments and suggestions. The services of various stakeholders from journalists to academics, policy makers, chambers of commerce and industry, consumer associations, non-governmental organisations (NGOs) and others need to be co-opted so that the debate can contribute substantively to a more informed appreciation of WTO Agreements and its implications on the economy.

This compares poorly with the sort of preparation undertaken by richer countries. Delegations from the US or the EU or Japan to WTO Conferences are considerably larger than those that the poorer countries can bring along and furthermore, richer country delegations include specialists and lawyers. This is not the case with delegations from developing and LDCs. A combination of all the above factors resulted in severely constraining their effective participation in earlier WTO Conferences. As a result, the full import and implications of the WTO Agreements were never realistically assessed or appreciated by the poorer countries. It was, therefore, only much later that these countries realised that the URA were unbalanced.

Given the above scenario, it is important to recognise that developing countries are not equipped to undertake full-fledged negotiations on an equal footing with developed country delegations for a variety of reasons. These relate, at one level, to either a lack of knowledge of the full import of the fine print in the WTO Agreements or an incomplete understanding of the legal and other implications of these Agreements. Capacity building and training are no doubt positive in this regard. However, at another level, the poor countries lack the wherewithal to withstand the enormous pressure and other tactics that the developed countries can muster. And thirdly, negotiating skills alone would not guarantee development for the low-income countries. Technical assistance and capacity building specifically directed towards institutions and policies are critical. In areas like environment or labour standards for instance, or SPS standards, good negotiating skills are not a substitute for the enormous expenditure that the poor countries would need to incur to simply upgrade their standards. None of these countries currently possess the required funds for such an exercise. Unless these funds are directly addressed at the WTO, the poor countries would not be in a position to derive the full benefits of trade liberalisation and integration into the global economy.

So Where Do We Go From Here?

The first point we need to be conscious of is that globalisation is not an option. No choices are available to us for 'opting out'. Globalisation is a fact and a reality and it is here to stay. How we adjust to globalisation, how we *manage* globalisation is the policy option open to us.

Indeed, anti-globalisation can be extremely counter-productive if it starts becoming a fetish. It may be recalled for instance, that during the 1950s and the 1960s, developing country attitudes and trade policies were generally characterised through extreme protection. These economies attempted to industrialise through 'import substitution'. From around the 1980s, these countries realised the enormous economic costs of their failure to integrate with the international economy, and their policies started shifting. For example, both China (in the early 1980s) and India (in the early 1990s) moved away from their closed-door developmental strategies and began liberalising their economies. As a result, the rates of growth experienced by both countries post-liberalisation were more rapid compared to the pre-liberalisation period. This would therefore suggest that while being critical of globalisation's failures (or 'bad globalisation' as some have dubbed it) may be useful in that it may contribute towards improving the manner in which globalisation is managed, excessive criticism could have the unintended consequence of triggering panic and encouraging developing economies to once again close their doors to trade liberalisation. Such a step would be retrograde for the global economy. It is essential therefore that developed countries recognise this. The fears of developing countries need to be directly and urgently addressed if the process of trade liberalisation is not to be retarded.

How the developed countries would encourage trade liberalisation is therefore important. There is a tendency, for instance, to link trade liberalisation to other benefits and concessions. Such measures, by themselves, are not likely to encourage whole-hearted support for trade liberalisation and market reforms. Countries and governments need tangible benefits that they can show their people and which in turn, would create the domestic support for reforms. This can only be done if employment is provided, poverty levels decline and improvements take place in the social sector. In other words, if development is widely seen *and perceived* by the people as a direct consequence of trade liberalisation.

Second, countries need to undertake economic and market reforms. Such reforms need therefore to be an integral part of economic policy. However, reforms entail costs in the immediate short and even medium term and democratically elected governments find it extremely difficult to 'sell' short term sacrifices to their people for a longer term benefit. To cushion the costs, external funding needs to be envisaged. Since the WTO is expanding its mandate and its arena of influence, setting up such a Fund within the auspices of the WTO would be compatible with its proclaimed Development Agenda. Economic reforms need also to be seen in the context of foreign direct investments (FDIs). Unless developing economies are in a position to attract substantial FDIs, their growth prospects may continue to be slow and sluggish. At the same time, it needs to be recalled that countries that do attract FDI (like China for instance), wield enormous clout at the negotiating table because many of their supporters and lobbyists are in the developed world.

Thirdly, the market is likely to play an increasingly influential role in determining the distribution of global power. In this regard, countries that are economically better-off and attracting FDIs are likely to emerge as major global players.

Developing countries need therefore to candidly seek out allies. Such an exercise should not only co-opt countries whose views on the Agreements coincide with our own (such as the like-minded countries group), but also to candidly recall that very poor countries would understandably come under pressure to succumb to carrots and sticks from the developed world. The identification of countries should therefore clearly include those countries which are likely to withstand such pressure: China for instance. A closer alignment with China in the WTO might reap enormous benefits for the developing world.

At the same time, countries should recognise that there are no permanent friends, only permanent interests and these are always domestic and national, never global. There is no substitute for a better understanding of the WTO instruments and Agreements, and therefore cadres need to be built up. The consultative process needs to be expanded. Wider publicity needs to be given to the developmental obstacles that poor countries face.

Preparations for Mexico are long over-due. If the US has its way, the Fifth Ministerial Conference would be held earlier than anticipated. And it should come as no surprise if developmental issues continue to remain in the back-burner.

Recommendations

- Globalisation is not an option. It is therefore crucially important for the developing countries to prepare a strategy to *manage* globalisation.
- The WTO will not protect or promote developing country interests. It is for developing countries to do so.
- A more informed understanding of the WTO Agreements is necessary so that negotiators can effectively put across national interests at the negotiating table.
- Developing countries need to coordinate policies and seek out areas of common interest. They should be mindful however of the fragility of such alliances, since poor countries rarely have the wherewithal to withstand phone calls from Washington or Brussels. Allies need to be sought out therefore from countries like China which are likely to withstand such pressure tactics, at least for the time being.
- Developing countries need however to recognise that unless they undertake reforms and start doing better economically, their voice would continue to remain unheard. No one likes losers.

Endnotes

[1] Commissioner Lamy made this statement on 4 December 2000 while speaking at a press conference to mark the anniversary of the failure to launch a new round of World Trade Organisation negotiations in Seattle in 1999.
[2] The recent EC *'Everything But Arms'* proposal needs to be seen in this light.
[3] Reported in Financial Times, 27 March 2001.
[4] Communication from the Trade Directorate-General of the European Commission, dated 18 June 2001.
[5] Ibid.
[6] 'Globalisation' and 'trade liberalisation' are used almost interchangeably in this paper.
[7] Robert Wade, The Economist 28 April 2001.
[8] Grunberg, I and S. Khan (2000), Globalisation: the United Nations Development Dialogue, New York: United Nations University Press.
[9] Some developing country concerns are dealt with in Dasgupta, Amit (2000), *Globalisation and the East Asian Crisis: Rethinking the Role of the State in the New Millenium* in South Asian Survey, Vol. 7 No. 2, July-December 2000, pp 247-272.
[10] UNDP, Human Development Report, 1999.
[11] UNDP calls for 'development with a human face' and its very first Human Development Report (1990) began with the lines, " The real wealth of a nation is its people". What this paper is proposing is that *development* needs to be seen as part of *globalisation* and hence, it is globalisation that needs a human face.
[12] International Textiles and Clothing Bureau.
[13] For a detailed critique see Biswajit Dhar *Non-Trade Concerns in the Agreement on Agriculture* in Amit Dasgupta and Bibek Debroy eds Salvaging the WTO's Future: Doha and Beyond (Konark Publishers: 2001)
[14] Human Development Report, 2001.
[15] The nomenclature was first used by the EU.
[16] Bridges Weekly Trade News Digest Vol 6, No. 13, 9 April 2002.
[17] *A Study on Assistance and Representation Needs of the Developing Countries without WTO Permanent Representation in Geneva ('the WTO non-residents')* Commonwealth Secretariat, August 2001.

References

Commonwealth Secretariat (2001): A Study on Assistance and Representation Needs of the Developing Countries without Permanent Representation in Geneva.
Dasgupta, A (2000): 'Globalisation and the East Asian Crisis: Rethinking the Role of the State in the New Millennium' in South Asian Survey *Vol 7, No 2.*
Dasgupta, A (2000): 'Labour Standards and WTO: A New Form of Protectionism' in South Asia Economic Journal, *Vol 1, No 5.*
Dasgupta, A and Debroy, B (eds) (2001) Salvaging the WTO's Future: Doha and Beyond, *Konark Publishers.*
Grunberg, I and S. Khan (2000): Globalisation: The United Nations Development Dialogue*, United Nations University Press, New York.*
Krueger, A (1998): 'The WTO as an International Organisation' *OUP.*
SAARC Secretariat: website http://www.saarc-sec.org
SAARC Secretariat (1999): SAARC Ministerial Meetings: April 1986 - August 1999*, Kathmandu.*
Srinivasan, T.N. (2000): (unpublished) 'Developing Countries and the Multilateral Trading System: From the GATT to the Uruguay Round and the Future' paper presented at the Trade Policy Issues seminar organised by Asian Development Bank Institute*, Tokyo.*
UNDP (1999, 2000): Human Development Report*, United Nations, New York.*

This Briefing Paper has been prepared by Mr. Amit Dasgupta, Director (Economic, Trade and Transport) at the South Asian Association of Regioinal Cooperation (SAARC) Secretariat, Kathmandu in his personal capacity. The views expressed in this paper do not necessarily reflect those of the SAARC Secretariat or the Member Countries of the SAARC. For further information please contact: SAWTEE, Block No: 254, P. O. Box: 19366, Sahayog Marg, Anam Nagar, Kathmandu, Nepal, Ph: 977-1-229759, Fax: 977-1-240491, E-mail: hqsawtee@wlink.com.np.