

Introduction: Can David take on Goliath?

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The debate about trade is often portrayed as a ritualised clash between protectionist development wonks and business interests. However, the contributions in this book suggest that the picture is more complex. In recent years development NGOs like Oxfam, for example, have raised awareness of the iniquities of Western agricultural subsidies from a topic discussed only in specialist circles to a cause supported by pop stars. Meanwhile, it is becoming clear that business is not an unabashed supporter of free trade, as Chris Haskins argues in this collection. Business can in fact be complicit in the rich world's protectionism.

Polarisation means that the debate fails to take account of what is politically achievable. While there has been much valuable work carried out into the impacts of rich country protectionism and structural adjustment on developing countries, there is a need to move beyond analysis of the costs and benefits of free trade and to work out a practical deal that is both palatable for the richest and works for the poorest nations.

There is currently a window of opportunity. Following the fiasco of Seattle and the near miss at Doha, international leaders became aware of the fact that the multilateral trading system was failing a large proportion of the poorest countries and set up what is now known as the Doha Development Round. However, since then the intricacies of negotiation and the intransigence of several member states have slowly eroded this sense of urgency and shifted attention elsewhere. The clearest illustration of this is the fact that negotiators have missed all of the deadlines set to address developing country concerns. The encroaching 2005 deadline set at Doha means that time is short.

Furthermore, political pressure has been diffused from trade reform as the world's attention has been focused on the fall-out from the war against terrorism.

If the priority is to find a deal which is acceptable for the rich and the poor then the focus needs to be on the 74 very poor countries (listed in the Annex) which face the biggest development challenges and are served the worst by the current regime. Looking beyond the urgency of their needs, the reason for this is that, realistically, the rich world will refuse to put forward a generous package of reforms without being reassured that it won't be swamped by exporters from dynamic developing countries like China and India. It is therefore essential for the interests of the 74 poorest to be treated differently to the rest.

In addition, the growing support for free trade among development NGOs means that there is currently an opportunity for the creation of a powerful coalition between powerful non-state actors – NGOs as well companies – which can align behind the poorest countries. This coalition is the best chance which the poorest developing countries have for strengthening their hand at the WTO.

Making multilateralism work for the poorest developing countries

In his essay, Patrick Messerlin shows how the rules governing the multilateral system do not work for the poorest developing countries because clout matters when it comes to hard bargaining at the WTO. While the US worries when India, which consumes approximately \$4 billion's worth of its exports, threatens to introduce a boycott on US exports in retaliation for, for example, the introduction of steel subsidies, such a threat clearly has little impact from a country like Burkina Faso, which consumes a mere \$18.8 million.

The quickest fix is thus to ensure that the poorest countries are exposed to a WTO bargaining process which is more suited to their development

needs. Failing to do so will mean that they continue to be subsumed in the battles between the largest trading powers, delaying the introduction of much needed concessions.

Special and differential treatment regimes have so far been the main vehicle for dealing with the poorest developing countries. These arrangements give poor countries tariff-free access to rich countries' markets while allowing them to protect their own products and theoretically sparing them from the harsh realities of the negotiating table. However, although altruistic on the surface, this system currently serves the poorest developing countries extremely badly. At the heart of this lies the fact that the 'developing country' label has become meaningless at the WTO. Countries are both able to grant themselves developing country status and can remain in the category indefinitely and regardless of whether they are becoming successful traders or not. Singapore, for example, is still seen as a developing country at the WTO.

This blurring of distinctions has serious implications for the poorest countries and is at the heart of the failure of the special and differential treatment regime. It means that it is impossible to distinguish between countries that are in real need for special treatment and successful traders that are competitive enough to penetrate rich country markets without these preferences. As a result, rich countries are unlikely to grant them concessions because they lack reassurance that they won't be flooded by products from countries less deserving of the 'developing' label.

The priority therefore needs to be the creation of a single group of well-defined poorest countries all of which fall within an agreed income bracket which excludes the large and dynamic developing countries, such as China and India, therefore makes it possible for richer countries to take market access risks.

While seemingly straightforward and pragmatic, scepticism among poor countries about the commitment of the rich countries to delivering

real concession makes them fearful of letting go of existing preferences and reluctant to give up alliances with richer developing countries. For example, very poor countries have fought bitter battles at the WTO to protect their right to subsidise even though their economies are ensnared by public deficits making them unable to make use of such rights. Similarly, they remain staunchly attached to the current special and differential treatment regime even though rich countries do well out of these arrangements by dictating their governing terms. As Philippe Legrain shows in his essay, through these pacts the richest have been able to ensure that they maintain some protectionist leverage (such as in the case of the EU's Everything but Arms agreement which protects Western products such as sugar, rice and bananas – all of them key to very poor countries) or can ensure that they are the ultimate beneficiaries (as in the case of the US's African Growth and Opportunity Act which only allows tariff free entry of garments from countries like Malawi as long as they use US cloth).

Furthermore, the fact that many negotiators from the poorest countries are ill-prepared or lacking in real understanding of the WTO processes means that they are easy prey for the more highly polished negotiators from the richer developing countries keen to create alliances with the poorest countries in order to preserve their interests. Anecdotal evidence shows that Mauritius, for example, regarded as an effective developing country exporter, has used its strategic position within the African country coalition to protect its sugar quota.

It is going to be up to the richest countries to ensure that these blockages by the richer developing countries are addressed. To do this they will need to start the ball rolling by offering the poorest a set of concessions that make the shift worthwhile. Financially, these propositions will require relatively small amounts of money invested in high-value added areas for the poorest countries, such as grants for very poor farmers who are being hit by liberalisation or compensation for the poorest net importers of food that would be hurt by agricultural liberalisation.

Of course, this is not to underestimate the costs of transition. As Jack Thurston and Stephen Byers show in their pieces, liberalisation is problematic for the poor and the causal link between trade liberalisation and poverty reduction is not clear-cut. While trade liberalisation may be a necessary condition for development and poverty reduction, the linkages between trade liberalisation and poverty reduction are complex and depend on a range of non-trade factors, such as the need to attract much needed capital to invest in public services and institutional building, as shown by Stephany Griffith-Jones in her contribution to the collection.

Building coalitions with non-state actors

When it comes to building coalitions that strengthen the hand of the poorest countries two actors will be key. The first are the development NGOs that have taken on board the fair trade issue. Since the launch of the Doha Round NGO campaigns have promoted a variety of pro-trade agendas, including ethical consumption described by Harriet Lamb in her piece. More than any other group the NGOs have had huge impact in terms of keeping the fair trade issue on the agendas of major international summits.

The second group is companies. The role of companies in this process is two-fold. At one level, as Herbert Obberhänsli shows, companies which invest in developing countries are key actors in terms of improving poor countries' ability to penetrate rich country markets because they import the rich world's standards. However past experience shows that business is also key when it comes to securing deals at trade negotiations because they can be central to boosting political momentum among the richest countries. In 1992, for example, business played an important role in generating the political will necessary for spearheading the Uruguay Round of negotiations and achieving firm commitments to liberalisation from world leaders. However, in his piece Chris Haskins is sceptical about the potential for business involvement this time round. He describes how, contrary to the commonly held assumptions about business pushing for the unleashing

of market forces, at present the companies are drifting towards the protectionist tendencies of the past. Urgent efforts need to be made to ensure that business starts playing an active role in this round of negotiations.

While the interests represented in this coalition are clearly extremely diverse, there is a possibility for establishing common ground, making all of the participants into potential winners: companies will benefit from predictable trade rules and will make more effective business decisions based on the comparative advantages of countries (as opposed to the terms of their tariff regimes) and the poorest developing countries will gain clout at the negotiating table.

Conclusion

It is clear that the proposals set out in this collection won't be satisfactory to all the actors in this debate. While free traders will continue to opt for fully-fledged free trade agreement, development NGOs and practitioners will probably question whether the emphasis being placed on the need to build consensus is being done at the expense of the developmental needs of the poorest. However, the strength of these proposals is that they are the closest anyone will get to a proposition which is acceptable to the richest nations and which will allow for a deal in time for 2005.