Journal of Governance and Innovation
Vol. I No. I, January-June 2015
ISSN- 2312-5551

Trade liberalisation and LDC's share in International Trade under the WTO Regime: An Evaluation of the Linkage

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Abstract

Recent decades have witnessed rapid reciprocal trade liberalisation throughout the world. The concept of trade liberalisation for all strongly spelt out by the international trading system and its main administrative institution, the WTO. The aims are to foster economic globalization with a view to raising standard of living and new trading opportunities. However, these opportunities are far from being equally distributed and WTO faced strong criticism and demonstrations. The critics from the anti-trade liberalisation see WTO as an instrument for dominating the developing country and also sometimes consider it as a tool for economic oppression. It has also been argued that it is time to replace this unfair and oppressive system with a new and socially sustainable trading framework. While the optimists view the institution for upholding the economic globalization and removing trade barriers. More specifically it sets out the rules which are mainly concentrated in agricultural products and labour-intensive manufactures where developing countries have a proportionate share in international trade. It is also argued that participation in the world trading system under the WTO regime has been proved to be most successful in poverty reduction and, compared to the mechanism of foreign aid; it has far more potentials to benefit the poor. This collateral research paper demonstrates the linkage between trade liberalization and LDC's current position in international trade by applying the quantitative research methodology approach. This paper scrutinizes the current efforts and contributions of WTO with a view to determining the nexus between trade liberalization and the participation of LDC's. It also talks about the guiding principles to secure democratic control of resources and equitable participations in international trade. The first chapter is trying to give a general overview regarding the ideas regarding trade liberalization, developing countries share in

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international trade and underlying principle of WTO. The second chapter is to analysis the current agreements, rules, principles and decisions of the WTO which relevant to protect and to preserve the interest of developing countries and their trade liberalization. Trade liberalisation gives rise to the creation, production, distribution, and consumption of goods and services on a unique scale. That process is meant to increase economic activity for people, enterprises and countries through freer international trade, direct foreign investment, and capital market flows. Does the combination of all these factors would provide unambiguous growth for all is to scrutinize in the third chapter. It is believed that the developing countries are to take greater advantage of the benefits to be drawn from the multilateral trading system, there needs to be an expansion of their human resources and institutional infrastructure in the trade policy area. For this, the fourth chapter is going to illustrate the current position of the LDC's in global economy and whether this volume of participation is sufficient for them? One of the millennium challenges of the WTO is to elimination of world poverty under a marginal line where everyone has a proportionate share in economic growth. The fifth chapter is to focus on the impacts of the elimination of global trade barriers and their impacts on poverty alleviation. The sixth and concluding chapter points out the recommendations regarding WTO's reformation to become a more democratic and viable trade administrative body where everyone participations have been secured.

Keywords: Comparative advantage, Economic Globalization, Economic growth, Income distribution poverty, Trade policy, Trade barriers, Trade liberalization.

Introduction

One of the popular buzzword of today's world is 'economic globalization', a process characterized by high level of international trade and trade liberalization between the nations. Aftermath the Second World War II, the world had faced serious economic crisis. Since then the governments had initiated on a variety of efforts to reduce or to eliminate import restrictions and export subsidies.[1] The motivation behind the trade liberalization is to increase the volume of trade, to promote economic growth and to improve living standard worldwide.[2] The world Bank, for instances, forecasted that abolishing all trade barriers could increase

[1] WTO, Global Problem Global Solutions: Towards better Governance, Retrieved from http://www.wto.org/english/res_e/booksp_e/public_forum09_e.pdf

[2] WTO, Trends in Globalization, Retrieved from http://www.wto.org/english/res_e/ booksp_e/anrep_e/wtr08-2b_e.pdf

global income by US$2.8 trillion and lift 320 million people out of poverty by 2015.[3] There are many possible ways to open an economy. The challenges for policy makers are to identify which best suits their country's political economy, institutional constraints, and initial conditions. As these vary from country to country, it is not surprising that there is a striking heterogeneity in country experiences regarding the timing and pace of reforms.[4] On the contrary, few controversial insights of trade theory is that changes in a country's exposure to international trade, and world markets more generally, affect the distribution of resources within the country and can generate substantial distributional conflict. Hence, it comes as no surprise that the entry of many developing countries into the world market in the last three decades coincides with changes in various measures of inequality in these countries.[5] The distributive effects of trade liberalization are diverse and not always pro-poor where the least developed countries (LDCs) face several cost disadvantages that tend to exclude them from international trade opportunities. Inadequacies in infrastructure, weakness of trade-related institutions, and even restrictive trade policies and regulatory obstacles are the main drawbacks for the LDCs to acquire a position and share internationally.[6] To secure the LDCs share in international trade, trade liberalization has to be managed and regulated at the international level. If not, trade liberalization is likely to be a curse, rather than a blessing, to humankind, aggravating economic inequality, social injustice, environmental degradation and cultural dispossession.[7] The law of the World Trade Organization is currently most ambitious effort to manage and regulate international trade. This article is going to evaluate the positions of the WTO and whether its initiative is really serving the LDCs a platform where they can secure a better position in international trade?

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3 Millennium Project, Trade, Development and the WTO: An action agenda beyond Cancun Ministerial, Retrieved from
http://www.unmillenniumproject.org/ documents/tf9interim.pdf
Or, WTO, Annual Report 2002, Retrieved from
http://www.wto.org/english/res_e/ booksp_e/anrep_e/anrep02_e.pdf

4 World Bank, Trade Liberalization: Why so much Controversy,
http://www1.worldbank.org/prem/lessons1990s/chaps/05-Ch05_kl.pdf

5 NATIONAL BUREAU OF ECONOMIC RESEARCH, DISTRIBUTIONAL EFFECTS OF GLOBALIZATION IN DEVELOPING COUNTRIES, RETRIEVED FROM HTTP://WWW.ECON.YALE.EDU/~PG87/JEL_.PDF

6 WTO: WTO Trade Report 2007, Sixty Year of Multilateral Trading System: Achievement and Challenges, Retrieved from
http://www.wto.org/english/res_e/ booksp_e/anrep_e/wtr07-2d_e.pdf

7 Peter van dan bosshe, and WTO, Understanding the WTO: What is the World Trade Organization, Retrieved from http://www.wto.org/english/thewto_e/ whatis_e/tif_e/fact1_e.htm

Evaluation of WTO's approach on trade liberalization

The economic cooperation for an open trading system based on multilaterally agreed rules is simple enough and rests largely on commercial rules, customs and international conventions. But it is also supported by evidence: the experience of world trade and economic growth since the Second World War.[8] Multilateral rules and principles were agreed back in 1947 to govern trade in goods between GATT Contracting Parties. From 1947 to 1994, the GATT provided the forum for negotiating lower customs duty rates and reducing or eliminating other trade barriers. The text of the GATT contained important rules, particularly non-discrimination. After the conclusion of the Uruguay Round and the entry into force of the WTO Agreement, the basic principles formulated in the GATT remained fundamentally unchanged. A number of critical legal principles have guided post World War II trade liberalization efforts and have contributed significantly to the success of the World Trade Organization. Non-discrimination is a fundamental principle of the multilateral trading system and is recognized in the Preamble to the WTO Agreement as a key instrument to achieve the objectives of the WTO. In the Preamble, WTO members express their desire to eliminate discriminatory treatment in international trade relations. Non -discrimination in the WTO is embodied by two principles, the most favored nation (MFN) treatment obligation and the national treatment obligation.

There are many possible impediments to market access for goods, services and intellectual property. Lowering trade barriers is one of the most obvious means of encouraging trade liberalization. The barriers concerned include customs duties (or tariffs) and measures such as import bans or quotas that restrict quantities selectively. Under the WTO law, the imposition of custom duties is not prohibited and, in fact, WTO members impose customs duties on many products. While customs duties are, in principle, not prohibited, quantitative restrictions on trade in goods are, as a general rule, prohibited.[9] Sometimes, promising not to raise a trade

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8 Heekman.B., Mattoo.A., English. P., A Handbook On: Development, Trade and the WTO, Retrieved from http://www-wds.worldbank.org/servlet/WDS Content Server/ WDSP/ IB/2004/ 08/19/000160016_20040819140633/Rendered/PDF/297990018213149971x.pdf or,
WTO, Understanding the WTO, Retrieved from http://www.wto.org/english/ thewto_e/whatis_e/tif_e/understanding_e.pdf

9 There is no explicit definition of the term "quantitative restriction" in the WTO. An implicit definition is provided by GATT Article XI:1, which proscribes any prohibition or restriction other than duties, taxes or other charges, whether made effective through quotas, import or export licences or other measures.

barrier can be as important as lowering one, because the promise gives businesses a clearer view of their future opportunities. With stability and predictability, investment is encouraged, jobs are created and consumers can fully enjoy the benefits of competition — choice and lower prices. The multilateral trading system is an attempt by governments to make the business environment stable and predictable. Recognizing the need for positive efforts designed to ensure that developing country Members, and especially the least developing countries among them, are integrated into the multilateral trading system.[10] WTO law includes many provision granting a degree and special and differential treatment to developing country members. These provisions attempt to take the special needs f developing countries into account.

Apart from the aforementioned legal principle, WTO has formulated a number of economic principles which boost up and accelerate the trade liberalization among its member state. Most economists agree that countries can benefit from international trade liberalization. In 1776, Adam Smith wrote in his classis book, the wealth of Nations;

> *'It is the maximum of every prudent master of a family; never attempt to make at home what it will cost him more to make that to buy. The tailor does not attempt to make his own shoes but he buys from the shoemaker. The shoemaker does not attempt to make his own cloths, but employs a tailor. The farmer attempts to make neither the one nor the other, but attempt those different artificers. All of them find it for their interest to employ their whole industry in a way which they have some advantage over their neighbors, and to purchase with a part of its produce, or what the same thing with the price of a part of it else's they have occasion for. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage'*

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[10] WTO, International and Regional Trade Law: The Law of the World Trade Organization, Retrieved from http://www.jeanmonnetprogram.org/courses/wto/docs/unit_i-the_syntax_and_grammar_of_international_trade_law.pdf or
WTO, Understanding the WTO, Retrieved from http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf or, Dean, J., S. Desai, and J. Riedel,(1994). Trade Policy Reform in Developing Countries since
1985, Retrieved from http://elibrary.worldbank.org/doi/pdf/10.1596/0-8213-3102-7 and Santos-Paulino, A. U. (2005), Trade Liberalisation and Economic Performance: Theory and Evidence for Developing Countries. World Economy, Retrieved from http://onlinelibrary.wiley.com/doi/10.1111/j.1467-9701.2005. 00707.x

Thus the economic pillar of the WTO emerged. Later on, a prominent economist David Ricardo, in his book, The Principles of Political Economy and Taxation, had developed the theory of 'comparative advantage'. Suppose country A is better than country B at making automobiles, and country B is better than country A at making bread. It is obvious (the academics would say "trivial") that both would benefit if A specialized in automobiles, B specialized in bread and they traded their products. That is a case of absolute advantage. But what if a country is bad at making everything? Will trade drive all producers out of business? The answer, according to Ricardo, is no. The reason is the principle of comparative advantage. It says, countries A and B still stand to benefit from trading with each other even if A is better than B at making everything. If A is much more superior at making automobiles and only slightly superior at making bread, then A should still invest resources in what it does best producing automobiles and export the product to B. B should still invest in what it does best making bread and export that product to A, even if it is not as efficient as A. Both would still benefit from the trade. A country does not have to be best at anything to gain from trade. That is comparative advantage.[11] This theory is still the predominant explanation for why countries even the poorest, can and do benefit from international trade. While the theory of comparative advantages won approval from the most economist ever since the early nineteenth century and also win the approval of the WTO. WTO Agreements liberalizing the world trade in multilateral levels which have been very successful over the past five decades. The round under the GATT and the WTO initiated trade talks which successfully reduce average global tariffs from forty percent to five percent. But no it is the burning question whether these legal and economic principles of the WTO have played a significant role to preserve the rights of LDCs in international trade.

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[11] WTO, Understanding the WTO, Retrieved from http://www.wto.org/english/thewto_e/whatis_e/tif_e/understanding_e.pdf or,
Peter van dan bosshe, and WTO, Understanding the WTO: What is the World Trade Organization, Retrieved from http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact1_e.htm or,
GATT, (1947), 40TH Years chronology of events and achievements, Retrieved from www.wto.org/**gatt**_docs/.../91320038.pdf or
Chang, Ha-Joon, 2003: Kicking Away the Ladder: The 'Real' History of Free Trade. Foreign
Policy in Focus Special Report, Retrieved from http://www.ilocarib.org.tt/trade/documents/economic_policies/SRtrade2003.pdf

Trade liberations and LDC's courtiers: Positive and Negative Impacts

Countries trade with each other because trading typically makes a country better off. In international trade competition occurs at the firm level, while citizens of every country can benefit from free trade. Citizens enjoy a greater variety of goods and services, and generally at a lower cost. Imagine a country that decides to isolate itself economically from the rest of the world. In order to survive, the citizens of this country would need to grow their own food, make their own clothes and build their own houses.[12] However, if this country decided to open its border to trade, its citizens would specialize in the activities they do best. Specialization leads to higher productivity, higher income, and better living standards.[13] Policies that make an economy open to trade and investment with the rest of the world are needed for sustained economic growth. The evidence on this is clear. No country in recent decades has achieved economic success, in terms of substantial increases in living standards for its people, without being open to the rest of the world. In contrast, trade opening (along with opening to foreign direct investment) has been an important element in the economic success of East Asia, where the average import tariff has fallen from 30 percent to 10 percent over the past 20 years.[14] Freeing trade frequently benefits the poor especially.[15] Developing countries can ill-afford the large implicit subsidies, often channeled to narrow privileged interests that trade protection provides. Moreover, the increased growth that results from freer trade itself tends to increase the incomes of the poor in roughly the same proportion as those of the population as a whole. New jobs are created for unskilled workers, raising them into the middle class. Overall, inequality among countries has been on the decline since 1990, reflecting more rapid economic growth in developing countries, in part the result of trade liberalization. There is a general presumption in the poorer countries that they will lose

[12] Strengthen Democracy through private enterprises, The Importance of Trade Liberalization for Developing Countries, Retrieved from http://www.cipe.org/blog/2013/08/05/the-importance-of-trade-liberalization-for-developing-countries/#.VINX_ZDBAX8

[13] Ibid, and Robert W. Staiger (2009), What can developing countries achieve in the WTO, Retrieved from http://www.ssc.wisc.edu/~rstaigerve/developing_wto_slides_princeton_final_print

[14] International Monetary Fund, Global Trade Liberalization and developing Countries, Retrieved from https://www.imf.org/external/np/exr/ib/2001/110801.htm

[15] ICTSD, The Future and the WTO: Confronting the Challenges, Retrieved from www.ictsd.org/.../07/the-future-and-the-wto-confronting-the-challenges.pdf

from global services trade liberalization since their domestic service industries are inefficient and non-competitive.

This view is despite the arguments from economists as to the gains to domestic consumers from lower prices and the joint benefits which accrue to both exporting and importing countries from exploiting comparative advantage and improved market access opportunities abroad. It is also despite the commonly held view that the production of many services are labour intensive, which economists believe should be the source of comparative advantage for poorer developing countries in services provision. There unfortunately appear to be few if no studies of the relative inefficiency of local versus Foreign Service providers in developing country service markets which allow the strength of these arguments to be evaluated on empirical grounds. These cautions towards global services trade liberalization in the developing world seem to reflect two concerns. One is the general assumption in the developing world that any future negotiated global liberalization of services trade will be largely one sided in the results it will yield. The second caution that developing countries express is the nature and size of the adjustments in domestic economies which services liberalization may imply. One dimension of adjustment relates to potential foreign majority ownership and control of provision in key service sectors, and the related security and cultural concerns.[16] But the amount accruing to developing countries would still be more than twice the level of aid they currently receive. Moreover, developing countries would gain more from global trade liberalization as a percentage of their GDP than industrial countries, because their economies are more highly protected and because they face higher barriers.

Studies such as those from which the following facts are culled demonstrate that current trade liberalization rules and policies have led to increased poverty and inequality, and have eroded democratic principles, with a disproportionately large negative effect on the poorest countries. In terms of poverty the numbers of people living on less than $2 per day has raised by almost 50% since 1980, to 2.8 billion almost half the world's population.[17] And this is precisely the period that has been most heavily

[16] Hoekman, B., Mattoo, A., and Sapir, A., 2007, ―The political Economy of Services Trade Liberalization: A Case for International Regulatory Cooperation? Oxford Review of Economic Policy 23, pp. 367-391, Retrieved from http://www.researchgate.net/profile/Bernard_Hoekman/publication/5216395_The_political_economy_of_services_trade_liberalization_a_case_for_international_regulatory_cooperation/links/0912f50b66aeb59907000000

[17] International Monetary Fund, World Economic Outlook, Retrieved from http://www.imf.org/external/pubs/ft/weo/2000/02/pdf/chapter1.pdf

liberalized. Recent evidence suggests that the numbers of people living on less than $1 per day is growing in most regions of the world. The world's poorest countries' share of world trade has declined by more than 40 per cent since 1980 to a mere 0.4 per cent. The poorest 49 countries make up 10% of the world's population, but account for only 0.4% of world trade. This disparity has been growing.[18] In 1980-1996 only 33 of 130 developing countries increased growth by more than 3% per capita, while the GNP per capita of 59 countries declined.[19] Around 1.6 billion people are economically worse off today than 15 years ago. Poor are getting poorer in both relative and absolute terms, as one UNICEF study has commented;

> *"A new face of 'apartheid' is spreading across the globe…. as millions of people live in wretched conditions side-by-side with those who enjoy unprecedented prosperity."*

In terms of inequality Trade liberalization is negatively correlated with income growth among the poorest 40 per cent of the population, but positively correlated with income growth among higher income groups. In other words, it helps the rich get richer and the poor get poorer. The richest fifth have 80% of the world's income and the poorest fifth have 1%; this gap has doubled between 1960 and 2000. Unfair Trade barriers are also very prominent in the regime of the World Trade Organization.[20] First World countries to raise trade barriers protecting their companies, even as we have served as their forum for insisting that Third World countries lower their trade barriers more and more. The implication of that is that trade negotiations should focus on making existing trade rules fairer—an agenda proposed by most developing countries—rather than on the agenda currently in sway of further opening up markets of the poorest countries and the extension of WTO rules to investment and services.[21] Developing countries face higher tariffs on processed goods than on commodities; this is one of the reasons that the poorest countries

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[18] UNCTAD, Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities: Least Development Country Report 2012, Retrieved from http://unctad.org/en/PublicationsLibrary/ldc2012_en.pdf

[19] UNCTRAD, Least Developed Countries Report 2014 - Growth with structural transformation: A post-2015 development agenda, Retrieved from http://unctad. org/en/PublicationsLibrary/ldc2014_en.pdf or,
UNCTAD, Growth with employment for inclusive and sustainable development: Least Development Countries Report 2013, Retrieved from http://unctad.org/en/ PublicationsLibrary/ldc2013_en.pdf

[20] United Nations, 2014 Human Development Report, Retrieved frfom http://www.undp.org/content/dam/undp/library/corporate/HDR/2014HDR/HDR-2014-English.pdf

[21] WTO, Trade Liberalization Statistics, Retrieved from http://www.gatt.org/trastat_ e.html

are heavily dependent on a few commodities. A trade dominated by basic commodities means that these countries do not develop their infrastructural technologies, including education and training. The populations remain essentially in the service of more complex industries in the First World, which favors First World development but not that of the Third World.[22] The most powerful statement against terrorism would be for governments of the rich nations to redress the deep inequities in the trade system and reverse the marginalization of poorer countries. The WTO's current configuration makes this impossible, and extending its work into new areas of the global economy will only make matters worse.

LDC's share in international trade: overview of current trends

In 2011, LDCs grew by 4.2 per cent, 1.4 percentage points lower than the preceding year, mirroring the slowdown of growth worldwide (from 5.3 per cent in 2010 to 3.9 per cent in 2011). Given their high dependence on external economic conditions, LDCs were unable to escape this broad-based slowdown, and the rate of deceleration was similar to that of developing countries (1.3 percentage points) and advanced economies (1.6 percentage points).[23] The poor performance of oil-exporting LDCs in 2011 (-1.6 per cent) had a negative impact on overall LDC performance. Compared with oil exporters, LDCs specializing in exports of other products such as manufactures (6.0 per cent), services (5.7 per cent), minerals (5.8 per cent), agriculture and food (5.9 per cent) or mixed exports (5.4 per cent) fared much better. However, in terms of resource gap, indicating the extent to which countries rely on external resources to finance their domestic investment, non-oil-exporting LDCs have performed poorly.[24] While the resource gap for LDCs as a whole fell from 6.5 per cent of GDP in 2000 to 3.9 per cent in 2010, for non-oil-exporting LDCs, it increased from 10 per cent 2000 to 13 per cent just before the global crisis and hit 14.8 per cent in 2010. One result of the increasing resource gap in non-petroleum-exporting LDCs has been growing balance of payments vulnerability. In 2011, thirteen LDCs had current account deficits of more than 10 per cent of GDP, while five had

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[22] United Nations, Globalization and Least Developing Countries, Retrieved from http://unohrlls.org/UserFiles/File/LDC%20Documents/Background%20paper.pdf

[23] UNCTAD, Harnessing Remittances and Diaspora Knowledge to Build Productive Capacities: Least Development Country Report 2012, Retrieved from http://unctad.org/en/PublicationsLibrary/ldc2012_en.pdf or,
United Nations, World Economic Situation and prospects:2013, Retrieved from http://www.un.org/en/development/desa/policy/wesp/wesp_archive/2013wesp.pdf

[24] Supra note 18.

deficits of over 20 per cent of GDP. Only five LDCs reported current account surpluses.[25]

Gross fixed capital formation increased slightly from 20.7 per cent of GDP in 2005–2007 to 21.6 per cent in 2008–2010. Throughout the first decade of the 21st century, it has increased slowly but surely (by three GDP percentage points). While this is positive, it compares less favourably with other developing countries (ODCs), whose gross fixed capital formation reached 30.1 per cent of GDP in 2010. If current investment trends continue, it is unlikely that LDCs will be able to catch up with ODCs in the near future. The gross domestic saving rate for the LDCs as a group was 18.9 per cent of GDP in 2005–2007, and fell to 17.7 per cent in 2008–2010. The LDCs' trade balance improved from a deficit equivalent to 6.1 per cent of GDP in 2010 to 5.7 per cent in 2011. The value of merchandise exports from LDCs increased by 23 per cent in 2011, surpassing the pre-crisis level. The total value of merchandise exports in 2011 ($204.8 billon) was twice as high as five years ago.[26] On the downside, merchandise exports for LDCs as a group have remained highly concentrated in a few countries. The top five exporters (Angola, Bangladesh, Equatorial Guinea, Yemen and Sudan) account for 62 per cent of all exports from LDCs. The value of merchandise imports rose sharply in 2011 (20.6 per cent) to $202.2 billion, also doubling in the last five years.[27]

Elimination of global trade barriers: Impacts on poverty

International trade has increased dramatically in recent decades, and flows of goods and services are crucial for achieving sustained growth in developing countries. Alongside trade, growing flows of capital across national borders could significantly contribute to economic growth and poverty reduction.[28] The international mobility and division of labour is also expected to generate important distributional changes in domestic economies. Notwithstanding the potential role of globalization in accelerating economic growth through greater integration into the world economy, the impact of globalization on poverty reduction has been uneven. LDCs also have benefited from a series of preferential market

[25] Supra note 17, or , South Center, The impact of the global economic crisis on industrial development of least development courtiers, retrieved from http://www10.iadb.org/intal/intalcdi/pe/2010/05589.pdf

[26] Supra note 17

[27] UNCTAD, World Investment report, Retrieved from http://www.cinu.mx/minisitio/wir2014/wir2014_en.pdf

[28] UNCTAD, Trade, Income Distribution and Poverty in Developing Countries: A Survey, Retrieved from http://unctad.org/en/PublicationsLibrary/osgdp20121_en.pdf

access to developed countries, promoted under the "Enabling Clause" and the Generalized System of Preferences (GSP) or resulting from bilateral or regional agreements.[29] More recently, South-South trade preferences were promoted with the establishment of the Global System of Trade Preferences among Developing Countries (GSTP). In December 2005, the Sixth WTO Ministerial Conference in Hong Kong adopted a decision to extend LDCs' DFQF market access granted by developed countries to at least 97% of tariff lines.[30]

Despite significant liberalization efforts, the failure of some developing countries, notably LDCs, to diversify production and exports and undergo structural transformation has led to low growth and persistent poverty.[31] Moreover, regardless of the high growth rates and remarkable trade performance, a large proportion of the populations in developing countries still live in extreme poverty. Some claim that full liberalization in trade and goods could have significant negative effect on LDCs and the countries of sub-Saharan Africa in terms of production and employment, and also exacerbate environmental problems.[32] Complete liberalization of agriculture could lead to an increasing dependence on food imports and a rise in poverty in most places. The insufficient development of exports and trade capacity in LDCs also reflects in the fact that poor households only receive a small portion of global trade revenues, and in most cases their share has been flat or declining since the global liberalization waves starting in the 1990s. Empirical results show that poor countries face higher barriers on their exports than advanced countries. Thus, the consistency and sustainability of trade policy reforms should be carefully considered, especially when linking the outcomes of trade liberalization to poverty and income distribution.[33]

In parallel with increasing global interconnections, progress towards eradicating world poverty is at the centre of global development policy and research. Despite the significant advancement in measuring poverty and income distribution there is limited discernment regarding the impact of different economic policies – both national and international – on poverty-outcomes. And a persistent concern is the impact of

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[29] Ibid, or WTO, Global Value Chains in Changing World, Retrieved from http://www.wto.org/english/res_e/booksp_e/aid4tradeglobalvalue13_e.pdf

[30] WTO, WTO and Developing Countries, Retrieved from http://www.wto.org/english/res_e/booksp_e/wtr14-2f_e.pdf

[31] UNCTAD, Economic and Social Impacts of Globalization, Retrieved from http://www.unctad.info/upload/TAB/docs/TechCooperation/fullreport-version14nov-p106-119.pdf

[32] Supra note 27.

[33] United Nations, Rethinking Poverty: Report on the World Situation 2010, Retrieved from http://www.un.org/esa/socdev/rwss/docs/2010/fullreport.pdf

globalization, primarily the flows of trade and capital, on poverty and inequality.[34] The period 1960 to 1980 saw greater improvement and growth in developing countries than the period from1980 to 2000. Yet 1960-1980 was the height of Keynesian economics, whereas the WTO's sort of liberalization philosophy has reached its peak in the latter period. In 1980-1996 only 33 of 130 developing countries increased growth by more than 3% per capita, while the GNP per capita of 59 countries declined. Around 1.6 billion people are economically worse off today than 15 years ago. FDI rose by 13 times in the 1990s compared with the 1970s, but GDP growth was 50% lower. One of the reasons is that foreign investment has concentrated on purchasing assets rather than creating new sources of production (in the period 1995-98, transfers of property accounted for nearly two-thirds of total FDI flows); over 80% of FDI is in the form of mergers and acquisitions (97% of which are acquisitions); most of the FDI is in the form of massive deals (50% comes from deals of over $1 billion); 41% of FDI in developing countries (excluding China) is in the form of mergers and acquisitions; EU multinationals have taken over from the US as the biggest buyers in developing countries; cross-border mergers and acquisitions have increased by over 25 times since 1980 (as a proportion of world GDP). Greater openness to world markets can affect income distribution between and within countries. As the growth literature reveals, in general, changes in poverty are mostly associated to changes in average incomes, and hence it is pertinent to evaluate both issues in a comprehensive framework. Importantly, the impacts of trade liberalization need to be examined in conjunction with other concurrent policy reforms, and the implementation details of particular policies matter.[35]

Reforming the WTO: Towards more democratic participation

When the WTO was established, countless benefits were envisioned for the whole world, but developing countries, in particular, were to expect vast improvements. Rich countries and the GATT Secretariat staff promised developing countries that they would experience major gains as industrialized countries lowered and eventually eliminated tariffs on such items as textiles and apparel and cut agricultural subsidies that had

[34] International Labour Office, Trade and Employment from myth to facts, Retrieved from http://www.ilo.org/wcmsp5/groups/public/@ed_emp/documents/publication/wcms_162297.pdf

[35] WTO, Global Value Chains in Changing World, Retrieved from http://www.wto.org/english/res_e/booksp_e/aid4tradeglobalvalue13_e.pdf or, WTO, Trade Liberalization Statistics, Retrieved from http://www.gatt.org/trastat_e.html

enabled large agribusinesses to dominate world commodity markets.[36] The Marrakech Agreement explicitly prioritizes considerations of a nation’s welfare, suggesting that relations in the field of trade and economic endeavor should be conducted with a view to raising standards of living while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development. However, the WTO has not delivered all it has promised. Many of those subsidies and tariffs are still in place, with others continuously being erected, as countries find themselves unable to reach agreements on removing them within the existing paradigm.

Industrial countries maintain high protection in agriculture through an array of very high tariffs, including tariff peaks (tariffs above 15 percent), tariff escalation (tariffs that increase with the level of processing), and restrictive tariff quotas (limits on the amount that can be imported at a lower tariff rate). Average tariff protection in agriculture is about nine times higher than in manufacturing. In addition, agricultural subsidies in industrial countries, which are equivalent to 2/3 of Africa's total GDP, undermine developing countries' agricultural sectors and exports by depressing world prices and pre-empting markets. For example, the European Commission is spending 2.7 billion euro per year making sugar profitable for European farmers at the same time that it is shutting out low-cost imports of tropical sugar. In industrial countries, protection of manufacturing is generally low, but it remains high on many labor-intensive products produced by developing countries. For example, the United States, which has an *average* import tariff of only 5 percent, has tariff peaks on almost 300 individual products. These are largely on textiles and clothing, which account for 90 percent of the $1 billion annually in U.S. imports from the poorest countries—a figure that is held down by import quotas as well as tariffs.[37] Other labor-intensive manufactures are also disproportionately subject to tariff peaks and tariff escalation, which inhibit the diversification of exports toward higher value-added products. Nontraditional measures to impede trade are harder to quantify and assess, but they are becoming more significant as traditional tariff protection and such barriers as import quotas decline. Antidumping measures are on the rise in both industrial and developing countries, but are faced disproportionately by developing countries. Regulations requiring imports to conform to technical and sanitary

[36] WTO, Reforming the WTO: Toward more democratic governance and decision making, Retrieved from http://www.wto.org/english/forums_e/ngo_e/posp67_gaddafi_found_e.pdf

[37] International Monetary Fund, Global Trade Liberalization and the Developing Countries, Retrieved from https://www.imf.org/external/np/exr/ib/2001/110801. htm

standards comprise another important hurdle. They impose costs on exporters that can exceed the benefits to consumers. Further liberalization—by both industrial and developing countries—will be needed to realize trade's potential as a driving force for economic growth and development. Greater efforts by industrial countries and the international community more broadly, are called for to remove the trade barriers facing developing countries, particularly the poorest countries. Enhanced market access for the poorest developing countries would provide them with the means to harness trade for development and poverty reduction. Offering the poorest countries duty- and quota-free access to world markets would greatly benefit these countries at little cost to the rest of the world. It is the high time to embark on a thoroughgoing process of reform of the WTO as an institution, its various bodies and its agreements so as to address the threats which it poses to people's rights. It is widely acknowledged that many of the WTO's current agreements and procedures are the direct result of unequal negotiations in previous rounds and ministerial conferences. Unless the people of developing countries are to pay in perpetuity for the consequences of this unfair process, the agreements and procedures themselves must be revised so that they work for people's rights and sustainable development, not again.

Conclusion

An appreciable shift in LDC trade has taken place in the past decade, thanks to the rebalancing of global demand towards large emerging countries and the resulting long-lasting cycle of high international commodity prices. In addition to this, the growing interdependence and interconnectedness of the modern world govern through increased flows of goods, services, capital, people and information paves the LDCs a way to get more share in international trade. The process is fasten by technological advances and reductions in the costs of international transactions which spread technology and ideas, raise their share of trade in world production and increase the mobility of capital. It may be easily mentioned that Trade liberalization is revolutionizing the way the world works, and can bring tremendous benefits to developing countries – by stimulating trade, generating employment, and by applying new information technology to education. Simultaneously, it will recognize that not all developing countries have been able to take advantage of the benefits of trade liberalization, and certainly not to the same degree. As some countries race ahead, others face the risk of falling further behind in relative terms. Trade liberalization on the other hand is a fact, not a policy option. It is up to each nation to pursue policies that can help its people take advantage of the opportunities of globalization, so that all citizens, including women, will benefit. Sound national policies are the primary determinant of success in achieving the advancement of women, and indeed in achieving overall economic and social development. But Least Developing Countries should not face this task alone. The international community should provide encouragement and support, as appropriate, to help them build capacity and undertake the necessary reforms. World Trade Organisation has seen by many LDCs as the authority to undermine legislation, passed by sovereign nation-states. Essentially, the WTO, and the 'new' Global Economy, hurt the environment, exploit workers, and disregard civil society's concerns. The only beneficiaries of open trade are the largest, richest, multi-national corporations. This conception should be changed. The challenge for governments across the world, and international organisations such as the WTO, is to ensure that the benefits of free trade are more equitably distributed throughout the global community.