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**Trade Related Capacity Building (TRCB) and Trade Related
Institution Development (TRID) within WTO-Doha Round:
sustainable strategy for Least Developed Countries?**

Dr Raymond Saner & Dr Lichia Yiu
Centre for Socio-Eco-nomic Development, Geneva

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On 11th March 2002, nearly 30 WTO members pledged more than 30 Million Swiss Francs to the Global Trust Fund (GTF) in order to ensure achievement of the Doha Development Agenda (DDA) . The pledged amount is meant to finance the 514 capacity building activities listed in the 69- page WTO Annual Technical Assistance Plan (TAP). In addition to the TAP, special support will be extended to 49 Least Developed Countries (LDCs) through the Integrated Framework (IF) jointly co-ordinated and executed by ITC, UNCTAD, UNDP, WB and WTO which is supposed to help integrate (mainstream) trade policy with the Poverty Reduction Strategy Papers (PRSP).

While the activities planned under TAP and IF are laudable, questions have been raised whether these programmes can lead to economic betterment and reduction of poverty of Least Developed Countries in a sustained hence long-term manner or whether these programmes will be another short term booster to be followed by renewed stagnation or further decline. On a more fundamental level, after years of “experimental development practices”, IMF & WB policy makers and WTO negotiators of developed countries who control purses and determine the scope and approach of TA, should clarify their convictions as to which theory offers the best recipes for sustained economic and social development of Least Developed Countries. After many years lost due to imposed and failed structural adjustments and equally failed “Washington Consensus” style ideological crusades, a more transparent discourse is needed along the following lines of reasoning.

As a basis for our subsequent argument, we cite an excerpt of the Marrakech Agreement, which concluded the WTO Uruguay Round of trade liberalisation, and which in turn laid the basis for the subsequent new Doha Round of trade liberalisation that is in full swing at the time of writing this text. The excerpt reads as follows:

.....recognising further that there is a 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.**

(Agreement Establishing the WTO, 1994, page 9, section underlined letters highlighted by authors)

Interpretation of agreements often leads to the discovery of ambiguities which negotiators either consciously drafted in order to bridge opposing positions or unconsciously stumbled upon due to time pressure or misguided believes that negotiation text was clear to all parties concerned.

“**Commensurate with the needs of their economy**” could mean different things to different parties. For instance, it could be interpreted as “share of growth in international trade” according to a developing country’s current size of economy or annual economic growth. Hence, a relatively insignificantly developed economy of an LDC should have an insignificantly low share of international trade. This would mean assuming a **uni-directional** (from trade towards economy) and **static** interpretation of this text (current not potential future size of economy).

On the other hand, reading from right to left, one could read into the text that developing countries should be given a share in international trade corresponding to their current and **future needs** (to be defined) of their economy. This would mean taking an **evolutionary** perspective with a related assumption that the international community should provide trade concessions in order to help developing countries grow their economy. Depending on which interpretation one favours, the remedies proposed to help developing countries’ differ.

The first approach assumes a given, namely the current WTO rule based regime, and offers assistance to developing countries to better fit into the already existing structure. For instance, such assistance could mean giving legal advice on how to implement existing WTO rules and how to integrate their trading regimes into that of the WTO member countries. The underlying economic theory is that of **comparative advantage** first proposed by the economist Ricardo that, if applied, suggests that developing countries should focus on current comparative advantages, if any, and make the best use of the existing market access and trading rules of the developed countries. In fact, most of WTO’s pre-Doha technical assistance fits into this interpretation of “commensurate” as cited above.¹

¹ For instance P.H. Ravier (2002) states: WTO started delivering TRTA in the narrow sense, e.g. basically lecturing explaining and updating Members about the rule book and that a progressive shift has taken place towards: real capacity building (e.g. human capacity building e.g. training of people), administrative capacity building, i.e. helping countries to extract the greatest benefits from the rules (e.g. despite settlement, negotiating techniques) bus also setting up the administrative infrastructures needed to fulfill WTO commitments (setting up

In contrast, the second approach assumes an evolutionary perspective aspires to a more mutual or **symmetrical relation** between developing and developed countries. Focusing on what could be, this approach would complement the theory of comparative advantage with a more dynamic outlook more aimed at developing **competitiveness** of the nation and of specific sectors of a developing country's economic needs. Seen from this perspective, assistance takes on a larger scope since it would include supporting a country in gaining market access (traditional TRCB) while at the same time giving support to help it become competitive (TRID) so that it can export and more effectively meet foreign competition in its home market in the near future.

Judging by the discourse of various social and economic summits over the last three years, a stronger emphasis is now being put on competitiveness. Hence, TA is often linked to strengthening micro-economics and institutions as illustrated for instance by management professor Michael Porter's work on developing competitive sectoral clusters within national economics. Several of the **New Trade Related Capacity Building (TRCB)** and **Trade Related Institution Development (TRID)** activities focus on **supply side constraints** of developing countries and related insufficient legal and administrative infrastructure and policy-making capabilities. Sometimes a direct link is being made to social and economic development such as the PRS process (Poverty Reduction Strategy) and the Millennium Development Goals (MDGs).

The new approach suggests a more bi-directional approach that is focusing on how trade liberalisation and improved trade efficiency might encourage economic development and attract higher quantity and quality of Foreign Direct Investment (FDI). On the other hand, how the building of a competitive national economy and effective and efficient institutions coupled with more integrated and equity-oriented social policies (poverty reduction) could help a Least Developed Country become economically more dynamic which in turn might encourage stronger exports and more balanced economic and political development at home and more balanced trade with its international trade partners.

It is a strongly held belief of mainstream economists that oligopolies are bad and competition is good for national economies. Transposed to the global economy, one could deduct from this deeply held belief that mega-oligopolies (e.g. USA, EU, Japan and multinational companies in monopolistic positions) are bad for the world economy and that we need instead competition at global levels. What is missing is a global anti-trust organisation, which could break up "price fixing" (tariff escalation, anti-dumping, non-tariff barriers etc) of the developed world. Such a global institution does not exist yet but at least we have TRCB and TRID for LDCs. Let's join efforts to make best possible use of them to bring more balance to the global economy and more wealth creation to the disenfranchised LDCs.

a patent office, a standard setting body, a customs administration), and legal advice on how to implement the legislative programme that countries undertake to comply with their accession commitments.

