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## **COHERENCE BETWEEN TRADE POLICY AND OTHER PUBLIC POLICY CHALLENGES**

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### **I. Introduction**

1. Had it not been for the presumption of the causal relevance of increased trade through liberalization to the public policy objectives - the most important of which I consider to be poverty alleviation - of the negotiating countries some sixty years ago, there would have never been the General Agreement on Tariffs and Trade, signed in 1947. Such concerns, being mentioned in the preamble to the GATT, were only emphasized and expanded in the Marrakesh and other WTO Agreements, because the nearly 50-year experience of GATT had revealed to the participants of the Uruguay Round of Multilateral Trade Negotiations that liberalized trade is only desirable when it contributes to the well-being of *all* countries involved in the process, or even more so, to the global well-being.

2. At the domestic level too, policies to protect civilians enjoy a higher priority than policies aimed at promoting liberalization. The reasoning of governments behind their implementation of liberalization policies is indeed the contribution they are deemed to make to the fulfillment of public policy objectives. Even the experience of developed countries is indicative of the fact that without this relationship, these governments readily deviate from liberalization policies. The conclusion may therefore be drawn that trade policy is and always has to be part and parcel of the comprehensive public policy agenda of the government.

3. As a developing country representative, I would like to focus my discussion on poverty alleviation as the most important public policy objective, to which all other public policy objectives arguably relate. Increased trade has always been hailed as the engine for accelerating growth, but just as trade is not an end in itself, neither is growth (especially if it is to be accompanied by a widened gap between the rich and the poor). On average, each household in the US, EU and Japan pays over US\$ 1,000 to make possible the implementation by their governments of agricultural protection policies. This is only one of numerous proofs of this argument.

4. The question remains, therefore, whether growth achieved through liberal trade policies in the framework of WTO commitments (assuming this hypothesis to be true) has helped governments, particularly in developing countries, to alleviate poverty. In this connection, three major areas of concern will be addressed in this paper from a developing country perspective.

### **II. Developing countries' expectations of reduced income inequality between countries not fulfilled**

5. In spite of the anticipation of poverty reduction in the 1980s and 1990s, and despite the fact that the concentration of development plans in developing countries on economic and trade liberalization and rapid growth seemingly promised increased income and investment opportunities, the existing gap between rich and poor countries has significantly widened. Even among developing countries themselves, the distance between the newly industrialized countries and the other developing countries has increased too.

6. Apart from the poverty alleviation achievements in South-East Asian countries, in the 1990s, the rest of the developing world witnessed an increase in the number of poor people compared with the previous decade. The income disparity between the LDCs, developing countries and developed countries has been identified as a serious threat to international peace and security.

7. In the 1990s, most of the developing countries expected increased earnings from increased exports. However, there were many such countries which exported more, yet earned less. The unstable and declining prices of primary and raw materials caused the share of the developing and least developed countries in international trade to show a negative trend.

8. As in many cases, economic and trade liberalization in the developing countries has either not resulted in growth, or owing to the lack of the laws and regulations necessary for the effective support of liberalization policies and the lack of a strong political will of the governments for the proper implementation of such policies, it has practically resulted in the increased vulnerability or even the destruction of industries in developing countries. So grave has this problem been, that far from achieving growth, some developing countries have experienced what has become known as "deindustrialization".

9. Many countries, whether individually or in the framework of regional and international organizations, have realized nowadays that development and growth programmes vary, as the specific circumstances prevailing in countries are different. No predetermined, uniform development or growth model can therefore be prescribed for all countries. The roles the governments play in this process will accordingly differ from one country to the other.

10. Most of the newly industrialized developing countries, in particular those of South-East Asia, started their liberalization policies only after they had established the capacities and groundwork for industrial development and improved productivity using government support to achieve "real" competitiveness. In other words, protectionist policies were only dropped when they were not needed anymore. The fact is that countries will only be able to liberalize their trade systems when they reach a certain level of industrial development.

### **III. The share of developing countries' products in global markets has not increased**

11. Notwithstanding the efforts made by developing countries towards trade liberalization, their global market share has not increased as expected. The truth is that in the case of the least developed countries, the figures have been decreasing.

12. Most of the developing countries are mainly producers and exporters of agricultural products. However, the global agricultural markets are controlled and dominated by Trans-National Companies (TNCs), which do not consider either the interests of developing and least developed countries, or even those of small and medium-sized farmers in developed countries. They are the real and main beneficiaries of agricultural subsidies in developed countries, which enable them to offer their products in global markets at lower prices than those of developing and least developed countries. This is what happens sometimes in the markets for a particular product, and it also affects the developing and least developed countries, which usually produce one or just a few major agricultural products. Cotton, sugar, bananas, crude rubber, cocoa, coffee, oil seeds, etc. are all well-known cases of this story.

13. For the so-called non-trade concerns and the multifunctional nature of the agricultural sector, the developed countries claim that due to domestic dissatisfaction and the public protests of their farmers, they are not in a position to meet their commitments regarding the significant reduction of domestic support and export subsidies. Also, the experience gained in the previous rounds of multilateral trade negotiations indicates that the developed countries (mainly the US and the EU), while accepting commitments in this regard, have always refrained from setting a specific timetable for the implementation of such commitments, because in addition to the above-mentioned protests, they will risk widespread unemployment. However, taking all these considerations into account, if one puts aside hypocrisy and speaks of ambitions that can really be put into practice, a way should be sought to use

trade as a means for growth as well as the participation of all countries, irrespective of their levels of development. If the developing and least developed countries are really to benefit from world trade, in addition to the exertion of pressure on developed countries to decrease their protection measures, thought must be given to compensatory remedies for developing countries, until the reduction commitments of developed countries are fulfilled and a mechanism devised to penalize the maintenance of costly protection policies in agriculture by developed countries and to favor developing and least developed countries. The determination of fines and the establishment of a fund to collect such fines to help protect the vulnerable production of developing and least developed countries can possibly be taken into consideration in this regard.

14. The multi-functionality argument put forward by the developed countries regarding their agriculture sector can equally be applied to the industrial sector in many developing countries, where such important industries as automobile production, steel and textiles have significant non-economic relevance too. Many cities and even rural areas are heavily dependent on the functioning of these industries, and some have in fact come into existence after the establishment of these industries in a particular area. Huge groups of people are employed in these industries, and they consequently enjoy great political power in the community as well as in the government, particularly in the parliaments. In some cases, these industries are considered as a national pride. Although I do not suggest that such concerns should be ignored, the double standard prevalent at present in the way they are treated for different groups of countries seems absolutely unacceptable.

15. Developing and least developed countries do not have much access to the industrial goods markets in developed countries either. Tariff escalation, imposition of high standards and other non-tariff barriers to trade in developed countries have practically blocked the way for imports from developing and least developed countries. Furthermore, having smaller markets, developing countries have always (but in vain) counted on markets in developed countries in order to be able to have cost-effective higher value added industries, a hope which has turned to frustration because of the above-mentioned impediments. In these circumstances, it is unrealistic to expect an improvement in the level of value added production, use of technology and capital formation in developing and least developed countries. After considerable growth in the 1990s, these countries achieved an enhanced share of 30 percent in the global trade in goods, a figure which does not correspond to either their population or their economic capacities. However, a much more worrying fact is that even this low share in global trade in goods is not equally distributed among all developing countries, and that about 70 percent of trade in manufactures belongs to eight East Asian countries, which means that the share of other developing countries is a virtually negligible figure.

16. Taking account of standards and other non-tariff barriers, as well as consumer choice in developed countries, simply allowing importation by the EU and other advanced countries of quota and duty-free goods from least developed countries does not appear to open a way for these countries to gain an appropriate share in the global market.

#### **IV. The specific conditions of developing and least developed countries are not considered**

17. If the vicious circle of poverty is to be broken and more economic integration is to happen at the global level to guarantee international peace and prosperity, there must be solutions designed and put to practice specially for developing countries. Less exacting implementation requirements, more flexible grace periods, the provision of training and technical assistance to build the necessary capacities, and temporary exemption from some WTO commitments, which may at times hinder the growth of specifically significant sectors in these countries, are among the measures which merit consideration.

18. In this connection, the case of countries in the process of acceding to the WTO or those which have applied for WTO accession also needs to be particularly noted. While the distance between the poor and rich countries has increased, higher pressure is being exerted on the developing and least developed acceding countries to deprive them of the lowest-margins profits they are presently making through trade. WTO-plus demands, denying the grant of grace periods, zero-for-zero requirements for high-tech sectors and demands for signing WTO multilateral agreements such as the Agreement on

Government Procurement are minimizing the benefits of accession to the WTO, a fact which contradicts the objectives of closer integration of countries with higher levels of participation and profit for all. Strengthening what remains of preferential systems for developing and least developed countries and supporting south-south trade can be considered in this respect as measures which will at least to some extent compensate the declining profits of the developing and least developed countries.

## **V. Conclusion**

19. To conclude this paper, I need to emphasize that if we honestly want to have a more peaceful world with countries closer to each other in their levels of income and growth, we should provide the proper means for the realization of these objectives. Poverty alleviation is only possible if developing countries fully obtain the factors necessary for growth and capital formation. Trade, as a means of securing resources needed for growth, should facilitate the participation of developing and least developed countries in global markets. Unjustified demands on the developing countries, in particular the WTO acceding countries, however, is indicative of opposite intentions. The same is the case with the exertion of pressure on developing countries for further trade liberalization, while blocking, by different tariff and non-tariff barriers, the way for imports from these countries to enter the markets of developed countries, specifically when unstable and declining prices have virtually taken all hope from developing countries to obtain a fair share in the global markets.