Doing Doha for Development: a Development Perspective

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To understand how the Doha Round can contribute to development we must first ask whether it is possible or useful to define a trade negotiation round as a 'Development Round'. Then, we can look at the trading interests of the developing countries in this Round, and how they have become more able to articulate their own interests. It is also essential to examine the particular interest of developing countries in 'special and differential treatment'.

What should be the relationship between the Round and Development?

The direct links between Doha and development

Is it possible to combine a basically mercantilist process, where offering access is a 'loss' and 'gains' are measured by access to markets, not by welfare gains (which would see both offering and securing access as gains), with a development objective, where welfare (and its distribution) is the objective? Even if we assume that there is an underlying world welfare objective for the WTO, this is based on gains for all, not special needs. Is the development dimension of the Round to be seen as a constraint? Or as the central objective, which other negotiations may add to, but not obstruct or alter? Is it true, as the UK Parliamentary Committee on International Development noted (IDC 2003a, pp. 13-14), that 'Hard-bargaining between unequal players sits uneasily with the notion of a development round... Hard-bargaining is an inappropriate way to deal with some issues. It may have been suitable for tariff negotiations, but as WTO negotiations increasingly encompass complex 'behind the border' domestic issues, the adversarial concessions-trading format becomes less suitable.' Or is there evidence that hard-bargaining has been successful? How important is trade as a development tool?

It is increasingly clear that the potential gains from trade are small for many countries, and analysis of the determinants of development (and poverty) suggest that these problems require national solutions, with international financial and technical assistance, not just favourable trade policies. Imposing a 'development dimension', if it means targeting gains at particular countries, may also risk losing the achievement of conventionally welfare-improving outcomes for the majority, without compensating gains for development. The nature of the current trade agenda, where gains are now sought from countries and in areas where there were previously preferences and other special arrangements, but also the growing recognition that poor trade performance is likely to be the result of supply conditions as well as barriers in markets, should lead to questioning both of whether trade should be the central issue in development policy and whether development objectives should be central to trade negotiations. That the trade preferences used to promote development are now proving difficult to disentangle and an obstacle to poverty-reducing liberalisation does not offer support for a view that future trade policy should be guided by development. Distorting trade is rarely the first-best way of securing welfare gains.

There are particular problems in making this a ‘Development Round’. There are two reasons why many developing countries expect few gains or even sharp losses as the most likely outcome from the Doha Round. Least Developed countries and many others which have strong ties to particular developed countries and which have followed the recent trend towards regional free trade areas have virtually tariff-free access now to their major markets. There may be some exceptions for sensitive goods, but these are also those least likely to see liberalisation in the WTO. While a trade economist would argue that such countries can make gains by liberalising their own tariffs, this does not require a WTO round, so that the potential gains from a Round for them are close to zero.

Secondly, for a few countries, the very high levels of some tariffs and the restrictions on levels of imports for some goods mean that countries that do not pay those tariffs or that have the advantage of quotas on the restricted goods, i.e. who have preferential access, will suffer ‘preference erosion’ if tariffs and restrictions are removed or reduced. Not surprisingly, they oppose change.

One reason for the size of the current problem of preference erosion is that although the original purpose of preferences was to give new exporters an opportunity to increase sales, some of the quotas are of fixed amounts, at high prices, and seem intended to give poor countries additional revenue, either to relieve poverty directly or to finance development. Both the EU and the US give quotas to some sugar exporters, which offer access and high prices. Reform, whether through disputes, negotiation, or direct action on the Common Agricultural Policy (CAP), will reduce these benefits. The US and EU have had quotas on clothing from major exporters (under the Multi-Fibre Arrangement), while the EU has allowed more favourable entry to LDCs and the US to African Countries. These schemes are ending. For some countries, with high concentrations of exports in heavily protected commodities, the gains from preferences have been very large, and the moves since 2000 to improve preferences, particularly for Least Developed countries, have increased the potential loss. The role of concentration means that it is mainly small countries who have gained, but Bangladesh, with a massive response to the special concessions for LDCs exporting clothing during the period of the MFA, is now vulnerable.

On the other side, however, provided there is a significant reduction in barriers on agricultural and non-agricultural goods, there will be substantial gains for countries at a middle level of development, such as the G20, which do not have favourable preferential access and which do have the potential and the competitiveness to use access. It is these countries, not LDCs with supply constraints that can make significant gains from trade.

Even if we could be sure that trade policy would help national income, whether an improvement in national income from trade is transmitted into poverty reduction depends crucially on national policies. The international trading system can only enable poverty reduction; it cannot ensure it. The apparently simple criterion of ‘evaluating each agreement and every progress from the point of view of its impact on sustainable development’ (Tubiana 2003) begs the question of whose choices will determine how the different components of sustainable development will be weighted for the evaluation. It also fails to distinguish between actual impact (given all a country’s other policies) and potential impact (assuming the observer’s ideal policies). Finally, it ignores the need to look not at ‘each’ agreement, but at the net effect of all initiatives because it is the complex of results of an agreement which determine the effect on national income. If we attempt to target the broader elements of poverty, as defined in the Millennium Development Goals, it becomes very hard to see the role of trade as a factor on its own. Countries whose governments are concerned about poverty or, a better aim, development will use any increase in national income to promote this. Those who are not, will not promote policies that produce a good first round distribution, so looking for trade liberalisation with a good initial impact and not finding the best overall outcome, is inefficient and ineffective.

While trade can increase the income available to reduce poverty, how this is distributed among countries and within countries depends on other policies, both international and national. Only if we assume that these other policies are not feasible should we treat the direct poverty or MDG effects of trade policy as more important than the traditional calculus of their welfare effects.

Using policy to link the Round to Development

This does not mean that the idea of 'development friendly' trade negotiations is meaningless. There are two requirements. In terms of economic outcome, it is possible to analyse the need for compensation for changes in subsidies and preferences in a purely trade negotiation framework: if all countries are to accept the result, and thus give it the required consensus, then some gains must be found for those who do not have sufficient gains on the normal trade agenda.

The countries which will have a measurable negative outcome from any significant liberalisation of trade because their losses from preference erosion will be greater than their gains from other parts of the agreements need non-repayable support in order to be able to make the investments in physical and human infrastructure and in productive capacity to permit alternative production, adapted to the new trading conditions. The increase in world welfare, because the non-preferred and importers will gain, suggests that there is scope to direct funding to them.

Compensating the second group, and perhaps the first, through a fund, rather than other trade concessions would be a major new initiative for the WTO, and one that could seem inconsistent both with its role as a trade agency and with other funding by developed countries through their aid programmes and the international financial institutions. It would, however, be consistent with the proposal by the EU to help those losing benefits from sugar quotas by offering financial assistance. The reason for suggesting it is that the other proposals for dealing with the problem of preference erosion are more unsatisfactory and more difficult. Alternative gains from trade are either too small (in goods) or too sensitive (in services). If this means adding financial payments to the WTO agenda, this is in principle no different from the efforts by the EU to expand the agenda to the Singapore issues to provide it with 'compensation' for what it might 'lose' (in the mercantilist sense) on agriculture.

The second requirement is that the process of negotiations must respect the developing countries. The effectiveness of helping developing countries to participate themselves in order to obtain their objectives depends partly on how far we know how to increase their capacity, but developing countries have been increasing their own effectiveness in negotiations. So the more important conditions are the degree to which the negotiations allow their participation and whether we give more weight to their defining their own choices of objectives, i.e., to partnerships, or to the externally defined MDGs, which they may or may not share. Forming interest or issue-based alliances is an effective instrument for developing countries, and developed countries should not try to obstruct this. Until all developing countries have acquired experience in negotiations, however, the process should not impose excessive demands in speed and content.

Trading interests of the developing countries in the Doha Round

The positions of many of the developing countries, particularly those of Least Developed or African countries, were embodied in joint declarations: G77, Africa, Least Developed, or regions like SADC or COMESA, or other groupings like the ACP. These tended to be vague statements of what an outsider would consider normal developing country positions (more access, no reciprocity, S&D...), not detailed statements of particular interests. Some of these continue to emerge. But some of the group positions are now much more detailed and increasingly positions are defined by particular country interests, e.g. the ACP countries and the Least Developed make points on compensation for loss of preferences, and, for the ACP, rules for regions.

These groups have been supplemented by a growing use of *ad hoc* groups for particular issues: the G20, led by Brazil, China, India and South Africa, on agriculture is the most obvious, but there is also the G90 for the smaller, more preference-dependent, as well as detailed individual country positions that are no longer simply compilations of their group commitments (Malawi 2003; see Page 2002, WTO). It was another cross-group and cross-continent set of developing countries which called for development to remain 'central' 'to the Doha package', and stressed the need for a balanced package that provided 'gains for all Members' (Argentina, Bolivia, Botswana, Brazil, Chile, China, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Gabon, Guatemala, Honduras, India, Malaysia, Mexico, Morocco, Nicaragua, Pakistan, Paraguay, Peru, Thailand, Uruguay, Venezuela, Zimbabwe, WTO, TN/C/W/13). This marks a new skill and familiarity with the process, no longer a tie to specific issues, but to the outcome as a whole.

Business organisations have taken positions, internationally and within countries, and consumer groups and other interest groups are also seen increasingly often. There has thus been a clear shift from the position in early GATT rounds, where developing countries were largely silent, or acted as a group, first to formulation of broad interest groups, and now to detailed position taking, often reflecting the interests of national groups. These shifts are not complete: there are still some issues on which the blocs are important. Countries not particularly concerned by an issue will support a bloc position, and those countries which do not yet participate actively will still act in blocs.

The issues of cotton, which emerged in 2003, and compensation, which has been increasingly pressed in 2004–2005, are probably the major examples of new issues brought to the table by developing countries, as a result of increasing careful assessment of their possible gains in the existing agenda. Another is that of commodity prices. This they failed to get included at Doha (it was in the position of some countries and groups before that Ministerial), but it has been repeatedly raised (WTO, COMTD/W/113), and is now starting to appear in WTO documents. It will not be a negotiating issue in itself, but it is clearly relevant to any agricultural settlement (IDC 2003 p. 60), and assistance in diversifying out of highly concentrated commodity exports is one of the possible uses of any transfer payments that might be agreed.

Agriculture

This is the central issue of the negotiations. Agriculture remains the most protected and most internally managed sector in world production, with a complex system of interventions, to protect production in certain countries, and then to protect some countries from that protection through countervailing barriers or preferences, and occasionally to protect a third level of countries from the first and second levels (sugar intervention to protect European farmers; quotas to protect some developing producers from the barriers; special rules for Least Developed countries to help them in spite of the quotas). Any change in the structure of protection can have complex and major effects, both positive and negative, on those who lose or gain from the current arrangements. The average bound tariff in agriculture is ‘62%, compared to 29% for industrial products’ (WTO, *World Trade Report* 2003, p. 127). Although some applied rates are below those that are bound, the averages for these are also very different: 17% for agriculture and 9% for industrial.

It is also a sector in which non-economic motivations are important. Concepts like ‘multifunctionality’ or ‘non-trade concerns’ are used in the EU and some other developed countries to suggest that agriculture has a role in preserving natural or cultural environments. Beliefs about the role of agriculture in development or in the livelihoods of the poor in developing countries influence some observers. Therefore, calculating the economic costs and benefits from any change, and trading these off against benefits or costs in other sectors, may not be acceptable.

The structure of tariffs also makes negotiations difficult: while the average for developed countries is normally substantially lower than that for developing, the structure tends to be fairly flat in most developing countries, but with some very high peaks in developed countries. Any formula that concentrates on high averages will hit developing countries, while one which focuses on peaks will hit developed countries.

The fact that agricultural products are a declining, and now in some cases small, share of developing country exports does not mean that this is a declining issue, and the reasons for the decline can be misinterpreted. Manufactures overtook primary products in share of exports by non-oil producing developing countries in about 1985 (Page 1990). In the 1980s, this was led by Asia, but even if China and India are excluded, the share had risen to 60% for all developing countries by the late 1990s (World Bank, GEP 2003: it quotes the average, unweighted share as

50% for low income developing countries and 48% for middle income, p. 66). Latin America, which had been still low in the 1980s (30% in 1985) is now at 60%. But there are two reasons not to interpret this as justifying less interest in agricultural trade reform. The first is that the much higher protection for agricultural trade is itself an important reason for this difference in pattern. While different income elasticities would be expected to cause faster growth in manufactures trade than in agriculture, the differences observed are much greater than could be explained in this way. The second is that for sub-Saharan Africa the share of manufactures is still only about a quarter. For them, the pattern of agricultural trade restrictions remains a vital trading interest. 28 of the 42 sub-Saharan African countries still have one to three agricultural exports which are each at least 10% of their total exports; 4 of the 13 Caribbean; and still 9 of the 20 Latin American countries. 24 of the Least Developed countries face this problem. (Page, Hewitt, 2001)

As a negotiating issue, agriculture has also acquired the status of a test of commitment: agriculture and the debate on access to medicines were the two issues where the developed countries have to make substantial offers to developing countries. Other offers, even if quantitatively important, would not be considered sufficient for a successful negotiation.

There is increasing dissatisfaction (e.g. Nogues 2003) with the access which was negotiated under the Agreement on Agriculture in the Uruguay Round: although it provided for cuts of a third in nominal protection and subsidies, the combination of taking a high base period for prices, generous 'tariffication' of non-tariff measures, and countries' option of meeting the average cuts by large cuts on the least sensitive products meant that the actual outcome was substantially less than had been hoped for. (This dissatisfaction was intensified by the over-optimistic estimates of the effects of agricultural liberalisation by the World Bank and OECD.)

The continued permissibility of subsidies to agricultural exports and production makes agriculture different from other sectors in the WTO and creates additional pressure for this to lead in any Doha settlement. The Uruguay Round provided for some reductions, in subsidies, but the choice of base has meant that these were small. The question of whether the eventual elimination of subsidies should be seen as an objective helped to break up the Seattle Ministerial Meeting, and nearly caused failure at Doha. It is one of the two areas where there was progress at Cancún, and following the July 2005 agreement export subsidies, although not domestic subsidies, may now be on the way out. There has still, however, not been agreement on a formula that could give a significant increase in access.

In cotton, it is the negative effect on competitors which has been argued to be most serious, and in summer 2003 four West African countries, Benin, Burkina Faso, Mali and Chad cited the cost to them of subsidies, notably by the US, and placed this as a separate item on the agenda for Cancún. Cotton is between 5 and 10% of their GDP, and more than 60% of exports (Goreux 2003; Gillson *et al.,* 2004). They requested, in addition to any negotiations on subsidies in the Doha context an interim settlement. This demand to separate it from the Round was in principle settled in the July 2004 agreement (WTO, 2004) although the EC Trade Commissioner appeared to be reviving it in early 2005 in a careless speech in Mali.

Other trade issues

Non-agricultural access is a less important issue in aggregate than agriculture because barriers are lower, and therefore the current structure of protection is less restrictive and less complex. Although in fact most exports from developing countries are non-agricultural, these do not excite the same pre-conceptions about livelihoods and poverty that agricultural exports do, and no developed countries would now admit to having industries that are protected for social reasons.

The outcome will be defined in terms of the modalities of tariff cuts, the rules on binding, and the types of differential treatment of either export access or import tariffs by developing countries. There is still a significant proportion of tariffs that are not 'bound' (notified to the WTO, and therefore impossible to alter upwards without renegotiation). While in agriculture, most countries have 'bound' their tariffs as part of the Agreement on Agriculture, even if some of the bindings are very high and some countries use 'applied' rates well below the bound rates, in non-agriculture negotiations there are still countries without bound tariffs, who therefore must ask, and negotiate, whether they should bind their tariffs, and if so at what levels and what weight should be given to this in the negotiations.

Non-Least Developed non-African developing countries put the emphasis on reduction in peaks and escalation. The highest peaks, in both developed and developing countries, are in textiles and clothing. Other highly protected goods are fish (classified as non-agricultural in the WTO), rubber, and leather goods. Specific duties are also important in some non-agricultural goods, notably textiles and garments, and again these have increased because prices have fallen (von Kirchbach, Minoumi, 2003).

On services, developing countries have clear interests in aggregate, because of their abundance of low cost labour, and this is reflected in declared interests in liberalisation in a range of sectors and in the movement of temporary labour. But the fact that services still use the old GATT method of 'request and offer' (countries must formulate requests to each of their trading partners, and make offers in response to all the requests which they themselves receive) is not only a major impediment to general progress in the services negotiations (a system which was cumbersome in a GATT of 50 members is impossible to operate in one almost three times as large), but a particular burden on countries with limited capacity to identify interests or to negotiate.

There are therefore potential major gains for at least some developing countries in the negotiations, if there is significant liberalisation and in particular if the services negotiations can be rescued from their current form.

How have developing countries become more effective in trade negotiations?

Given the undoubted power of the leading developed countries, how has it been possible for developing countries to have made such progress in trade negotiations? The answer appears to be that in multilateral negotiations, the bargaining power of the strongest nations is limited by the need for agreements to be finalised. If a powerful country wants market access and if this requires action by another country, it must secure its agreement. Studies on negotiations and country experiences (Page 2002, Bojanic 2001, Durrant 2002, Hess 2001) identify when small countries have been able to turn this potential into reality by negotiating effectively and changing outcomes.

The importance of experience

Developing country trade negotiating capacity has clearly benefited from the experience of successive trade rounds. In 1986, at the beginning of the last trade negotiations, developing countries did not realise that the open-ended or vague commitments in the agenda could become significant agreements. Services, TRIPs (patents and copyright), and the single undertaking were all in the negotiating mandate, but their implications were not clear. The contrast with the Seattle ministerial meeting in 1999, which had the task of setting the agenda for the following round, is stark. A detailed rejection of points in the agenda by developing countries led to failure; at Doha (2001) developing countries moved beyond rejection alone and were active in setting the agenda, realising that they could not remain outside any negotiation, however irrelevant or unimportant it might seem initially. At Cancún 2003, they scrutinised the proposals in detail and in Geneva 2004 they were active in all the negotiating areas and supplied two of the 'Five Interested Parties' (Brazil, India, US, EU, Australia).

Developing countries are now able to develop more sophisticated positions, for example, on the issue of services. In the Uruguay Round they began with little information about their own interests. By the time of the Doha meeting, 15 years later, there was greater confidence and precision in offers and positions.

The emergence of better-informed policy positions in the course of the Uruguay Round discussion of services and the improvements seen in competence of individual country delegations in the Round suggest that long negotiations can help to produce informed outcomes for new subjects or new participants. At the beginning, Brazil and India were almost the only countries to be effective: they had been active in the previous, Tokyo, Round. During the Uruguay Round, Argentina, Bangladesh, and other Asian and Latin American countries started to be active. At the Seattle conference and between then and the Doha conference, the countries which had been inexperienced participants in the Uruguay Round began to plan a more active role, and even the African countries started to define and present negotiating positions (more than half the position papers before Seattle and Doha were from developing countries). The countries which had participated without experience and with little success in the Uruguay Round were now seeing their second Round, and started to share the advantages of the 'old' developing country activists. The pressure for limited duration Rounds may not be in the interests of developing countries.

In the preparations for the Cancún meeting, again all countries, including the least active negotiators among the Least Developed, presented positions and participated in meetings of groups, in particular the African Union and the Least Developed Group. This greater participation was reflected in the way the negotiations themselves were organised. The groups were able to choose their own representatives to the consultations by subject and smaller, 'Green Room', meetings,[1] rather than being selected by the Chair of the meeting (as in the past). New countries (e.g. Ghana for agriculture) started to come to prominence.

Negotiating alliances

A group which started to emerge in Seattle and is now a major part of any negotiation is a much more fluid group of leading developing countries. The long-established leadership of India and Brazil was extended to include Egypt, Nigeria, and South Africa and then China. They are the core of the G20. All have a common interest in continuing liberalisation in the WTO context, although with very different (and potentially opposed) interests in particular elements of the negotiation. Their interests are in some respects very different from those of the smaller economies (where trade is a much more important part of the economy) so that they are not seen as (although they may see themselves as) leaders of the old developing country alignment. All could be seen as leaders of regional groups: MERCOSUR, Northern Africa, SAARC, ECOWAS, and SADC. Brazil and South Africa, at least, have acted informally as reporters-back to their groups in the WTO negotiations. Other smaller countries, however, such as Jamaica, Mauritius and Bangladesh, have also emerged as frequent leaders in taking positions, chairing committees, etc. They have built up a counter-alliance, the G90, of small countries: African, LDC, Caribbean and Pacific countries. Where there are general developed-developing country issues (special and differential treatment, the inclusion of the new issues like investment and competition policy), the positions of these two alliances can stand for the developing country positions, although on more specialised questions, they are not representative.

The G20 (or now G20+), of developing country agricultural exporters (but including the traditional leaders, Brazil, India, South Africa, Egypt, now joined by China), emerged in the weeks before the Cancún conference, and acted much more formally together than the others. It secured the two symbols of 'recognition' at the talks: representation in consultations in the Green Room and a meeting room of its own. Its emergence, combined with the emergence of the G10 (those least willing to liberalise agriculture, led by Switzerland) on the other side of the agricultural negotiations, and the strong divide between the developed and developing countries on the developed country proposal to introduce regulation of investment, competition policy,

[1] There are no formal procedures for WTO Ministerial meetings. The custom is for the chair to designate 'friends' to hold consultations on the principal issues, partly open, partly with the principal interest groups, and then to consolidate the positions in a 'Green Room' meeting of principal countries. At Seattle, these were the largest countries, plus countries which the chair chose to represent the others.

government procurement and trade facilitation, the ‘Singapore issues’, meant that the Cancún Ministerial was perhaps the first meeting since the 1970s where the divisions were almost uniformly between developed and developing countries. The divisions within each grouping were less important. The EU-ACP alliance of Doha, the Cairns alliance of all efficient agriculture countries of the Uruguay Round, and other developed-developing alliances were no longer important.

At Cancún there was the first semi-formal recognition of groups among the developing countries (and of the new group among the developed: the G10). Countries presented positions saying that they were on behalf of groups like the Africa and Least Developed countries, and towards the end, the G90, and the Chairs of the groups were chosen to represent developing countries in both the informal consultations on various issues during the conference and in the Green Room in the final stages. There were explicit arrangements for them to ‘report back’ to their ‘constituencies’. During the negotiations, individual groups had procedures for regular consultation and consideration of positions, and arranged negotiations with other groups to arrange common positions.

In the negotiations in Geneva since Cancún the leading countries in each group have been more prominent than the groups themselves, particularly since July 2004 as the negotiations have become more detailed. The major changes in July 2004 in the agriculture proposals and the removal of three subjects opposed by all developing countries show the strength of these groups.

SDT and conflicting interests

A good multilateral trade outcome is not simply the sum of good bilateral policies. Future trade policies by developed countries which are intended to be ‘developmental’ should consider the short term consequences for all countries, not only the target countries, but others. They should also take care for the long-term consequences for the international system of introducing new forms of differentiation among developing countries which could create future problems for reform. As long as special arrangements are small, it may be possible to ‘buy’ reform by finding financial compensation mechanisms, but the increasing use of special arrangements for Least Developed or other favoured countries and the use of trade tools to transfer aid (e.g. the sugar quotas) have raised the potential costs. Only if it is assumed that further multilateral liberalisation is not possible, and that regional and preferential agreements can be an effective substitute, are these likely to be first choices for development-friendly trade policy.

Past protection and the measures taken to attenuate its effects on particular classes of countries have created a complex set of gains and losses from trade. Liberalisation will therefore have equally complex effects. To avoid freezing the current distortions in the international trading system financial transfers are likely to be necessary.

The alerting of developing countries to what they can lose in trade negotiations, even if their potential gains appear small, means that it is no longer possible for negotiations to leave them to one side. Proposals for a return to an effectively plurilateral system, in which the developed countries, with some major developing countries, reach agreements which are accepted by the others, are not feasible because almost all countries have reached a point where they will not accept exclusion. The MDG of ‘partnership’ therefore has become a practical requirement of the international trading system, as well as a goal.

Where does this leave the desirability and the feasibility of special and differential treatment for developing countries? The arguments for SDT were originally that development required different, more active trade policies than simply sustaining growth in developed countries. If developing countries need to transform the structure of their economies, not merely expand and alter at the margins an existing structure, the gains from the efficiency effects of trade (and thus the losses from not having these) may be less important for them relative to the gains from other types of economic policy.

Support for SDT in trade is based on the assumption that trade matters for development, usually that it is a significant influence, even a determining influence, on the success or failure of countries' strategies for development. This is not a universal view, and certainly not a traditional one. Histories of developed countries' industrial transformations focus on the role of innovation (UK), of governments (Japan), or of strong private sectors (US). Trade is an instrument with some useful (or damaging) characteristics, but is not central to the story. One difference in developing countries is that for many trade became a significant element of national income early in their development because they were opened by more developed countries, in many cases by colonisers. Therefore there may be historical reasons for expecting trade to be more important.

The two forms of SDT which have traditionally been most important, the right of developing countries to be more restrictive towards other countries than is allowed to developed countries (flexibility in trade and other policies) and the 'enabling' of developed countries to offer them more favourable treatment, stem from two different types of conclusion on the role of trade in development. The first assumes that external income is a necessary condition, and imports a necessary cost, for a basically internal process Arthur Lewis (1954) argued for industrialisation to increase incomes and for diversification (which, in a primary economy, could only mean industrialisation) to increase choice. For prices, Prebisch (1950) and Singer (1950) pointed to the disadvantages of primary products, because of the changing composition of demand, the characteristics of markets, and price variability. Simple observation suggested that the richest countries were the most industrialised, and World War II had shown the advantages of strong, well-established industries, and the damage that could be done to an economy by destroying its industry. All past history of developed countries and the recent history of countries like Brazil suggested an internal dynamic, some times accompanied by control of trade. Countries needed to be able to use a range of national policies in order to industrialise, even if this required some restraints on imports or (in more recent negotiations) longer to adapt to new rules such as those on intellectual property.

But then the Asian countries showed that developing countries *could* export manufactures, and that this was closely *associated with* very rapid growth and structural change. So the obvious, if not the logically flawless, conclusion was that exports *led* to development. But how does the obvious connection between exports and the various possible elements of development work? This became the subject of much analysis and more assertion in the 1980s. The important change in what could be identified as conventional views was from emphasis on the efficiency role of trade to a view that there were dynamic effects. And, whatever the path of the effects, it seemed clear that offering more export opportunities would increase its magnitude.

The modifications to the MFN approach of GATT which were authorised in the 1960s and 1970s allowed both approaches to the role of trade in development; some countries succeeded in developing; and some attributed their success to the special treatment.

But we still do not have a consensus understanding of the dynamics of development. Some development economists, notably Sanjaya Lall whose death is a major loss to the profession, as well as to many of us personally, had tried to develop a theory based on technology and innovation, and this may be promising theoretically. But the policy consensus still points to some combination of 'better' access and 'more flexibility' for national policy, and this therefore remains the demand in the Doha Round.

Now, however, we are faced with some problems for SDT in the future:

- A large number of countries which have had both access and experimentation in national policy have still not developed. And we still do not know what might help them. Many of the countries that still need to find a developmental path are smaller and with higher trade costs (landlocked, for example) than the developing countries of the 1960s, so neither national nor trade-based strategies seem likely to be as effective as for the 'successes'.
- Low and falling tariffs in most developed and developing countries, so preferential access is worth less and less.
- A growing number of regions, cutting across old tariff preferences, and preempting any advantages of 'better' access
- An increasing awareness by developing countries (and some developed) that any access that 'prefers' one country necessarily means that another is disadvantaged, coupled with the negotiating power and skills to try to prevent this.

- An awareness that flexibility for any developing country in its internal policy can affect any of its potential trading partners (more bluntly: even what an LDC does can hurt its neighbours, and some of them are also ‘deserving’ cases).
- An increasingly rule-based and dispute-based international system that will no longer allow fuzzy ‘enabling’ flexibilities.

The Enabling Clause offered developing countries flexibility and preferences provided this did not create ‘undue difficulties’ for other countries. At the time, this had no legal force, but the combination of a stronger legal base for the WTO and the increasing negotiating power for developing countries has made this constraint operational. A development-friendly international system must allow more power for developing countries, but it thereby makes a paternalistic approach that might have benefited some of them no longer practical.

So what is left? One approach is to turn to a more aid-based approach: to create institutions and funds that treat the problem as one of helping countries to do what is ‘good’ for them, in either an aid or a trade context (a new World Bank facility, such as the Integrated Framework, or new provisions to concede flexibilities within the WTO). This can clearly replace the ‘preferences’ which are disguised financial transfers. But there are two objections to this as a replacement for preferences to promote exports. First, the practical one, that if we knew what these countries should do to achieve development, we would have helped them to do it years ago. There is no obvious answer to the question of what they should do, or, therefore, what donors should fund them to do. But the more fundamental objection is that this would reverse the increase in their ability to decide for themselves what flexibility and what gains they want to negotiate in the WTO. The WTO is, and should be, different in its approach from an aid agency, with the emphasis on countries’ identifying their own needs, and trying to negotiate to achieve these, rather than asking for concessions. There is a fundamental incompatibility between the old SDT approach and the WTO approach which could only survive as long as the old GATT set the rules, i.e. only as long as most trade rules were vague and unenforceable.

This does not mean that the WTO cannot allow different rules for different groups of countries. If such countries can agree on what they want, and convince other countries that the difference will not harm them, or that the benefits from securing some other concession will more than balance any harm, then there is no reason why this cannot be negotiated, just as countries without a pharmaceutical industry negotiated a concession to be allowed to import under TRIPs. A group may define itself as poor or disadvantaged in trade, and if other countries want to preserve the WTO in its new role as a universal organisation, then this may be a sufficient incentive to allow it special treatment. The difference of such treatment from old SDT would be that its scope is defined and then negotiated by the countries themselves, not by developed countries. Implicitly, a second difference will be that it is accepted by, not imposed on, other developing countries.

Conclusions

Countries determine their own development paths. Trade can contribute to this, and learning to identify and to achieve their own trading objectives is one of the ways in which countries develop. Developed countries can help in three ways. They can recognise that they will promote their own interests in a well-functioning international trade regime by ensuring that this is designed to be inclusive and to be flexible enough to accommodate countries with very different levels of development and approaches to policy. They can, as economists have been telling them for more than 200 years, led by a distinguished Glasgow professor of moral philosophy, promote their own interests by liberalising their own trade. And finally, at a time when preferences and SDT, tools which have been useful in the past, are being weakened, they can help developing countries to find and use alternative approaches, and give them the flexibility to search for these. Financially they can help meet any costs imposed on previously favoured developing countries by the trading system, even when the trade benefits are more likely to go to other developing countries as preferences are eroded and trade is ‘undistorted’ back to the more efficient developing countries.

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