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AN ANALYSIS**

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DEVELOPING COUNTRIES AND THEIR PARTICIPATION IN THE WTO IN MAKING TRADE POLICY – AN ANALYSIS

Ravinder Rena*

Abstract

Trade and investment are of paramount importance to achieve sustainable development thereby eradicating poverty. Developing countries were strongly arguing on this issue. Their argument emanates from the fact that the terms of trade between the developing and developed countries are unfair. All the developing countries realized that they needed the WTO to negotiate export market access particularly in highly protected sectors like agriculture and textiles, and to defend themselves against non-tariff protection from developed countries. The developing countries constitute for a four-fifths in the WTO, only a small minority are active in it. Weak participation in the WTO is largely a reflection and extension of policy-making deficits at home. In line with this they are participating in WTO and redesigning their trade policies in enhancing the domestic trade and contribute for the global trade. This article explores the GATT/WTO policies and their impact on the trade and development of developing countries. It also highlights the general arrangements/preferences available to developing countries by EU and other developed world and it provides good trade policy with specific objectives and indicators that are important for the developing countries.

Keywords: Developing countries, WTO, GATT, Trade Policy Doha Conference, Tariff.

1. INTRODUCTION

Trade and investment are of paramount importance to achieve sustainable development thereby eradicating poverty. As is well known, the South-East Asia countries commonly referred to us as the Asian tigers have reached a high level of economic growth through international trade. World Trade Organization formerly known as GATT is promoting the international trade. The developing countries (majority) constitute four-fifths in the WTO, only a small minority are active in it; most of the rest – an absolute majority of WTO membership – seem incapable of effective participation. Weak participation in the WTO is largely a reflection and extension of policy-making deficits at home. Most developing countries suffer from poor leadership, misguided policies and basic institutional defects. Related to this, although insufficiently appreciated, is their lack of logistical wherewithal – the administrative capacity and expertise --to deliver and sustain sound, credible trade policies (UNCTAD, 1999; Dubey, 1996).

While trade is an important way for developing countries to improve their living standards and lift people out of poverty, other factors are also important. More and more

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studies are showing that government policies, which support investment in basic health, education and infrastructure, are essential for good development prospects. Where a country's institutions of governance are weak or corrupt, protecting local industries won't help matters, because any 'gains' from protection are wasted.

Agriculture, the foundation of food and national security, was redefined as an issue of trade and commerce alone during the Uruguay Round of General Agreement on Tariffs and Trade (GATT) with agribusiness Multi-national Companies (MNCs) as the determining force in the shift. Agriculture is long been considered as a backbone in most of the developing countries. The World Trade Organization (WTO) Agreement on Agriculture (AoA) indeed does not refer to food and agriculture at all. There is no reference in it to soil or crops, to food or farmers, to sustainability or livelihoods, to food security or fair prices. Core issues of agriculture and food security at the national level have been reduced to non-issues in the global agreement. Food security, rural development, environmental sustainability, survival and sustenance of small farmers have been lumped together as "non-trade" issues are redefined as barriers to trade. In the AoA, trade and commerce come first — in other words, corporate profits take priority over the health of the planet or people (Dubey, 1996). That is why the relentless implementation of the WTO's trade liberalization rules is pushing Global farmers to the poverty, hunger and the planet towards an ecological catastrophe in the form of climate disasters, extinction of species and destruction of water systems.

Further, trade, market, and agricultural subsidies have been amongst the most controversial issue debated in World trade Organization (WTO), World Summit on Sustainable Development (WSSD), G8 Summit and so on. Developing countries were strongly arguing on this issue. Their argument emanates from the fact that they believe the term of trade between the developing and developed countries are unfair. Moreover, they believe that an end to farm subsidies in rich states would also enable them to export more products and earn foreign exchange to help development. Unfair subsidies, particularly in agriculture are seen as major trade barriers for the South. However, it is said that the recent World Trade Organization's summit in Hong Kong (13-18 December 2005) with economic leaders from 149 nations have made progress on a far-reaching global trade pact. The interim deal end farm export subsidies by 2013 and open up markets in wealthier countries to the world's poorest nations.

The main objective of the study is to explore the impact of the WTO policies on the trade and development of the majority of the developing nations. Besides, it provides a theoretical base in understanding the trade policies of developing countries with regards to WTO policies. As part of the study, data were collected from secondary sources. The secondary data were collected from various GATT/WTO, World Bank reports, published and unpublished research papers and books related to the subject.

This paper is been divided into five sections. Section two deals with the participation of developing countries in the WTO and it focus on general arrangements and EU/EC trade concessions to ACP and other developing countries. Section three delves how developing

countries make their trade policies. Section four explains the objectives and indicators of good trade policy and last section provides concluding remarks of the paper.

2. DEVELOPING COUNTRIES IN THE GATT/WTO

Until the launch of the Uruguay Round, nearly all developing countries excluded themselves from the General Agreement on Tariffs and Trade (GATT's) core business: export market access was not considered especially important in the context of import-substitution policies; and Special and Differential Treatment (SDT) meant that developing countries were not obliged to open own markets (Panagariya, 2002; Dubey, 1996). This changed in the 1980s when successive waves of developing countries liberalized trade (and foreign direct investment) as part of broader packages of policy reform. Trade became central to national growth strategies therefore all the governments realized that they needed the GATT to negotiate export market access particularly in highly protected sectors like agriculture and textiles, and to defend themselves against non-tariff protection from developed countries (UNCTAD, 1999; Mathur, 2002).

In line with this, a small number of developing countries – mostly from Latin America and East Asia, plus India - became increasingly active during the Uruguay Round. It is to be recalled that, for the first time, a critical mass of them were at the GATT negotiating table, bargaining for market access and even involved in key rule-making deliberations. The vast majority of developing countries, however, remained passive and reactive (Mathur, 2002).

Such divergence between an active minority and an inactive majority has become more marked since the founding of the WTO on 1 January 1995. There are just a score or so of really active developing countries. Most of them are in the middle-income bracket with not insignificant and rising shares of international trade and investment. Most have also undertaken radical and sustained unilateral liberalization. They have well-staffed missions in Geneva with high-profile ambassadors, many of whom chair important WTO committees. They are active in the formal and informal coalitions where much of the deal making is done. It is in the compact, issue-based coalitions, often spanning the notional developed-developing country divide, where the active developing countries really come into their own (Mathur, 2002). Finally, some of them have reasonably well resourced trade policy operations back in national capitals.

Next comes a diverse crew of poorer developing countries, some quite large such as Pakistan and Bangladesh, whose vocal ambassadors tend to push "development" issues. However, their influence in the WTO's work programme is limited by their serious lack of administrative capacity, in Geneva and at home. This leaves a very large group, amounting to about half or more of the WTO membership, with weak-to-minimal participation. Many of them are least developed countries and small island-states without a Geneva mission. Most of the others have perhaps one or two representatives in Geneva to cover all the international organizations in town.

The WTO sorely needs stronger developing country participation. Only then can developing countries be forceful demanders for their market access priorities, defend

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themselves against front and backdoor protection from developed and other developing countries, and make sure their rights are upheld in dispute settlement.

It can be viewed that developing countries should have freedom in fixing tariffs in agriculture, especially in the face of high Northern subsidies. Trade liberalization cannot set the determining framework for how food is produced and how agriculture is organized. Countries cannot ignore the issues of economic, social, and environmental sustainability. One can find a fault with WTO is that it has externalized these basic issues in the AoA (Gulati, and Ketly, 1999).

The second source of the crisis arises from the process itself. The WTO as a system excludes and marginalizes the concerns of developing countries. After the failure of the Seattle Ministerial Conference, the most frequently used phrase was that the WTO is a "member-driven organization". However, the process since 'Doha Conference' shows the opposite (Panagariya, 2002).

The excluding nature of the WTO process is made worse by the manner in which Mr. Harbinson prepared the draft for negotiation. The issues raised of developing countries have been conveniently dropped. The critical issue of Quantitative Restrictions (QRs) has conveniently been excluded even though it is at the heart of agricultural conflicts. The conflict between the U.S. and the E.U. is centred on the Europeans' ban on GMOs. The North-South conflict is centred on the high subsidies of \$400 billion in OECD countries, and the dumping resulting from forced removal of QRs. A recently released report from the International Agriculture and Trade Policy Institute has shown that in four major U.S. commodities, the level of dumping has increased since 1995 when the WTO came into force, even though the WTO's proclaimed aim is to "reduce distortions in trade (WTO, 2000)".

Introducing restrictions on imports or raising tariffs is the only safeguard for poor peasants and poor countries in the face of the trade-distorting subsidies and dumping practiced by rich countries. This is what countries such as India, Argentina, Philippines have proposed. Mr. Harbinson's draft completely ignores these proposals to regulate imports as a self-defence strategy against dumping. Instead, it proposes removing even temporary rights to safeguards "participation should decide whether the special safeguard provisions of Article 5 of the AoA should be eliminated".

What needs elimination is not Article 5 but Article 4.2 on market access which states, "members shall not maintain, resort to, or revert to any measures of the kind which have been required to be converted into ordinary customs duties (these measures include quantitative import restrictions, variable import levies, minimum import prices, discretionary import licensing, non-tariff measures maintained through state-trading enterprises, voluntary export restraints and similar border measures) except as provided in Article 5."

It is important to note that the entry of China into the WTO has a dramatic impact on the country's estimated 800 million farmers. About two-thirds of China's population lives in rural areas but agricultural output only makes up 16 per cent of the gross domestic

product (GDP) and 4.9 per cent of exports (Satapathy, 2002). It is to be noted that during the last three years after WTO entry, the country's farming sector hit the hardest. The Chinese Government formally disclosed the detailed rules on new tariff quotas for agricultural imports, which follows the commitment made by Beijing to the WTO. The Chinese Government has reduced the average import duty to 17.5 per cent by 2004 and to 15.6 per cent by 2005 from the average of 21.3 per cent before 2003. China has pledged to use a tariff-rate quota (TRQ) system, instead of the original quota administration system, for certain sensitive products such as wheat, corn, rice, edible oil and sugar, as well as to cancel export subsidies, keep its subsidy rate for farming at 8.5 per cent and abide by the WTO agreement on Sanitary and Phytosanitary Measures (SPS).

The World Trade Organisation (WTO) report on trends in trade in 2005 and prospects in 2006 highlights the weak spots in terms of economic growth. According to WTO economists, growth in global trade has, in the past decade, been consistently double the growth in the global economy. This is apparently reflective of the fact that in an increasingly open tariff regime, goods tend to be produced and traded on the basis of comparative advantage. Global merchandise trade growth in 2005, at six per cent, was substantially lower than the growth of nine per cent in 2004. The WTO's prognosis for 2006 is a slightly higher trade growth at seven per cent in 2006, but this is subject to many uncertainties that could undermine the upside potential. The report shows that the weakest spot in global economic — and hence trade — growth currently is Europe, where developed nations such as France, Italy, Germany, and the U.K. recorded economic growth ranging from near zero per cent to less than two per cent and where high unemployment and low levels of growth in consumption marked the domestic scenario. In contrast, economic growth was the highest in China and India, followed by many other developing countries (WTO Report, 2006).

2.1. General Arrangements

The preferences under general arrangements are available to all developing countries including China, which has chosen not to join the Group of 77, as also the transition economies. Of the total of 10,300 products, 2,100 products face zero duties in EU. Of the remaining 8,200 products, approximately 7,000 are subject to preferences under general arrangements(WTO, 2000). Typically, agricultural products are left out of the list of products subject to tariff preferences. Of these, 3,300 are classified as non-sensitive and 3,700 as sensitive. Under the general arrangements, EU grants duty free access on non-sensitive products and partial tariff preferences on sensitive products. Sensitive products are defined as those requiring higher border protection. This definition automatically rules out duty free access in products with high tariff duties (Bhagwati, et al, 1998:1130-1). Given that high duties typically apply to products such as textiles and apparel and footwear in which developing countries have a comparative advantage, this rule introduces a negative correlation between the margin of preferences and the ability of developing countries to export.

As a rule, a flat preference of 3.5 percentage points is provided on sensitive products. For a product with 14 percent duty, this amounts to a 25 percent preference margin. A major exception to the rule is textiles and clothing for which the flat-preference rule is replaced by a 20 percent preference margin. On a product with 14 percent duty, this makes the

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preference 2.8 percentage points, which is often insufficient for exporters to make it attractive for exporters to put together the paper work.

Based on certain criteria, a country may be excluded from GSP altogether or graduated from specific products. Two criteria are applied for complete exclusion. First, the World Bank classifies the country as a high-income country for three consecutive years. Second, a development index, which measures a country's industrial development and participation in international trade relative to EU, attains a pre-specified value. Both criteria must be satisfied (Panagariya, 2002: 1210).

Sometimes, even if a country is not excluded from GSP entirely, it can be graduated from GSP privileges in specific sectors. The graduation is based on achieving a certain degree of competitiveness in the sector. Graduation may take place under one of the two mechanisms: a lion's share clause and a graduation mechanism. The former applies if the EU imports of a product from a beneficiary country reach 25 percent of the combined imports from all beneficiary countries. The graduation mechanism, on the other hand, is based on the degree of specialization of the beneficiary country. A sector graduates if it reaches a certain threshold. In turn, the threshold is higher the lower the level of development.

2.3. EU and ACP Preferences of Trade

Africa's share of world trade is a mere 2%. More specifically, Africa's share in world trade has been falling since 1980, from about 6.0% of world total exports in 1980 to 2.0% in 2002, and from 4.6% of world total imports in 1980 to 2.1% in 2002 (UNCTAD, 2004). Besides, the prevailing intra-Africa trade is very low. Therefore, Africa should first focus on removing intra-Africa trade barriers. Africa must intensify its regional integration processes so as to build and consolidate supply capacity before rushing to a global trade. For instance integrating economies under the COMESA regime alone provide a market of more than 380 million people.

Therefore, it became imperative that seventy-one countries, spread over Africa, Caribbean and Pacific(ACP) regions, receive one-way trade preferences from European Community under the Lomé Convention(Zden, and Reinhardt, 2005: 3-6). The beneficiaries include forty-seven countries from south Saharan Africa, sixteen island nations of the Caribbean, and eight islands from the Pacific. Thirty-nine of the ACP countries are classified as the least developed countries by the United Nations (World Bank, 2001).

The origins of the EU-ACP cooperation can be traced back to the Treaty Of Rome signed in 1957, which expressed commitment to contribute to the prosperity of the colonies and overseas countries with historical ties with the EC member states and proposed the creation of the European Development Fund (EDF) for this purpose. Subsequently, this provision culminated in the Yaounde I (1963-69) and Yaounde II (1969-75) agreements between EC and ACP countries under which bulk of the EDF funds were pledged to French-speaking Africa to build infrastructure.

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Accession of the United Kingdom to EC in 1973 led to the signing of a more far reaching agreement, Lomé I (1975-80), between 46 ACP and the EC member states. The agreement introduced trade preferences for most ACP exports to EC markets. Additionally, the UK desire to bring its special trade preferences for bananas and sugar under the EC umbrella resulted in separate trading 'protocols' on sugar, bananas, and beef and veal. The trade preferences and the protocols became integral parts of the successive Lomé Conventions, Lomé II (1980-85), Lomé III (1985-90) and Lomé IV (1990-2000).

The banana protocol gives duty-free entry for specific quotas of bananas into the EU market. Several small island Caribbean states have been among the main beneficiaries of the quotas. Under the sugar protocol, EC annually buys a fixed quantity of sugar from ACP producers at its internal sugar price. Among the major beneficiaries of this arrangement are Mauritius, Fiji, Guyana and Barbados. Under the beef and veal protocol, EC refunds 90 per cent of tax normally paid on beef imports from several ACP countries. This has been especially beneficial to Southern African exporters.

Trade preferences in the Lomé Convention cover 99 percent of the industrial products of ACP countries without quantitative limits. This is superior to the preferences under GSP described below. In the case of 39 least developed countries, the recent "Everything but Arms" initiative (see below) supersedes the ACP preferences, however. The agreement also consists of a major aid component through the EDB, which allocates funds amounting to €4 to 6 billion every five-year period (Zden, and Reinhardt, 2005).

The scope of the Lomé Convention is a far wider than trade preferences and aid. Lomé IV especially widened the agenda of the agreement, introducing even human rights as an 'essential element' of cooperation, meaning that any violations could lead to a partial or total suspension of aid by EU. It also introduced environmental considerations through a 'protocol' that allowed the tapping of the eighth EDF budget (1995-2000) for the preservation of rainforests in the ACP member countries (WTO, 2000).

With Lomé IV having expired, the Cotonou Agreement has recently replaced it. This is a 20-year agreement, resting on five pillars: a comprehensive political dimension, participatory approaches, a strengthened focus on poverty reduction, a new framework for economic and trade cooperation and a reform of financial cooperation. Some of the detailed provisions illustrate further the wide reach of the agreement: respect for human rights and democratic principles; a new specific procedure to be launched in serious cases of corruption; consultation of civil society on the economic, social and institutional reforms and policies to be supported by EC; an integrated approach to poverty reduction centered on economic development, social and human development and regional cooperation and integration; a process to establish new trading arrangements that will pursue trade liberalization between the parties; cooperation in trade related areas such as competition policy, intellectual property, trade and environment and trade and labor; and the channeling of EDF funds through two instruments—one envelope for providing grants and one for providing risk capital and loans to the private sector.

Under the agreement, trade relations between EU and ACP partners are to undergo a major overhaul. During 2000-07, which is regarded as the preparatory period, the current regime with its preferences and the protocols on sugar, banana, and beef and veal are to be maintained in some modified form. In parallel, countries other than the least developed countries are to negotiate economic cooperation agreements including a GATT Article XXIV compatible bilateral free trade area with EU. This means that the current one-way trade preferences by EU will be replaced by reciprocal preferences more or less as in the case of the Mediterranean partners. The new arrangements are to enter into force latest by January 1, 2008 with transition to a full FTA spread over at least 12 years.

3. TRADE POLICY OF DEVELOPING COUNTRIES

Unfortunately, the thinking on trade policy capacity-building in developing countries is conceived in Olympian, "top-down" terms. "Global governance," involving a never-ending list of donors and international organizations, is the order of the day. This misses the point: the simple truth is that good trade policy, like charity, begins at home, not in the IMF and World Bank, nor indeed in the WTO. Trade policy capacity has to be rooted in the subsoil of nation-states and nurtured "bottom-up." Only on this *terra firma* can countries participate effectively in the WTO ((Panagariya, 2002: 1217; Satapathy, 2002). The latter, in turn, can be a helpful auxiliary, an external constitutional prop, to good national governance, especially by buttressing the rule-framework for the protection of private property rights and the enforcement of contracts in international transactions, thereby providing a more stable and predictable business environment. In other words, the WTO is at best a complement, not a substitute, for what is in essence a national task (Dubey, 1996).

Two basic propositions follow from this constitutional train of thought: 1] Developing countries with reasonably well functioning trade policy management and credible trade policies at home participate actively in the WTO and benefit from its rules and obligations; 2] The vast majority of developing countries lack these domestic foundations; rather, in the absence of leadership and capacity at home, donors and international organizations often drive trade policies externally (Gulati, and Ketly, 1999). Consequently, these countries are weak in the WTO; they are reactive and muddle through. This enables powerful developed countries to bully them in negotiations, as happened especially in the latter stages of the Uruguay Round. These are precisely the countries that have not benefited from the WTO system to date (Panagariya, 2002).

4. OBJECTIVES AND INDICATORS OF GOOD TRADE POLICY

Credible and sustainable trade policy outcomes require an efficient delivery mechanism, i.e. good trade policy decision making. The main objectives of good trade policy management are threefold: 1] Clear, precise definition of national interests in policy formulation, with a strong sense of how trade policy fits into the overall national economic strategy; 2] Effective negotiating capacity at bilateral, regional and multilateral levels, with a good appreciation of the dynamic interaction between these levels; and 3] Effective domestic implementation of unilateral measures and international agreements.

How are these objectives to be achieved? What are the indicators of good and bad trade policy making? The following checklist breaks down trade policy making into its main components.

- General institutional and economic policy issues inasmuch as they impinge upon trade policy.
- The overall structure of government, especially the interactions between the executive, legislature, judiciary and political parties on trade policy issue.
- The role of the lead ministry on trade policy.
- Co-ordination within government between the lead ministry, other ministries and regulatory agencies on trade policy.
- The input of sub-national actors in trade policy, especially in federal systems.
- The role of the national mission to the WTO, and co-ordination between it and the trade policy machinery back at home.
- Non-governmental input in trade policy, e.g. from business, NGOs and think-tanks.
- The role of donors and international organizations.
- Transparency issues, e.g. the level of public knowledge and debate on national trade policy choices.

Most developing countries fare badly on all these counts. No trade policy works in a climate of macroeconomic instability, made worse by rampant corruption and weak enforcement of property rights and contracts. Most lead ministries on trade policy are not high up the pecking order within government and tend to be captured by politically well-connected protectionist forces (Dubey, 1996; Rena, 2006). Inter-agency co-ordination is usually bad on traditional trade policy issues like tariffs and quotas on merchandise, and abysmal on newer issues like services, intellectual property and environmental standards, which involve regulatory agencies across the range of government. Most WTO missions are under-resourced and do not co-ordinate well with ministries back at home. Apart from habitual rent-seeking, business and other non-governmental input in trade policy is hardly evident. Finally, trade policy lacks transparency: almost everywhere it is dominated by well-organized insiders within government and outside it; intelligent public discussion on crucial trade policy choices, informed by independent, economically literate analysis, is conspicuous by its absence. No wonder most developing countries are unable to formulate clear and precise national interests in trade policy, lack negotiating capacity in international forums, and fail to implement international agreements in timely and effective fashion. There are examples of good practice in trade policy management across the developing world, which translates into reasonably sound and stable trade policies at home as well as effective participation in the WTO (Gulati, and Ketly, 1999). Let us turn to a few of these examples.

4.1. Lead ministries:

Trade policy responsibility is usually housed in trade-and-industry ministries. However, foreign ministries take the lead in some countries. Brazil, Chile and Mauritius, all noted for effective and high profile trade policy operations, are cases in point as are Australia and New Zealand in the OECD, and Estonia in Eastern Europe (WTO, 2000).

Investing trade policy competence in foreign ministries may have certain advantages. Foreign ministries tend to have some of the brightest and the best officials within national administrations; they are often led by powerful ministers; they may be less liable to interest group capture than commerce ministries; and, compared with sometimes parochial commerce ministries, they are better able to put trade policy into the larger foreign policy picture. On the other hand, foreign ministries often lack depth in terms of economic analysis and may sacrifice economically informed trade policy priorities to other foreign policy goals. Nevertheless, there are examples of successful trade policy leadership by capable trade-and industry ministries. Hong Kong and Singapore are among the best examples.

4.2. Inter-agency co-ordination:

Co-ordination among diverse ministries and regulatory agencies is increasingly important as trade policy becomes more entangled with non-border regulatory issues. However, it rarely works well, in part because non-trade ministries and regulators do not have trade policy high up their lists of priorities. Large, populace countries like China and India have a particular problem with inter-agency co-ordination, all the more so when they have complex federal systems. Small countries with relatively slim line, compact administrations tend to do a better job with inter-agency co-ordination. The trade-and-industry ministries in Hong Kong and Singapore, for example, co-ordinate closely with other parts of government, especially on services issues since services being at the heart of trade policy in both global cities. It is to be noted that several Latin American countries, Hong Kong, Singapore, Hungary and Mauritius have well-staffed missions with talented officials and capable, influential heads of mission. The key to a mission's success is effective two-way communication with the lead ministry at home.

4.3. Non-governmental input:

Even with the active developing country participants in the WTO, business and other non-governmental input in trade policy has been lacking, although it is gradually improving. Policy makers and negotiators need qualitative and quantitative market intelligence from business, input from NGOs for example, on consumer issues such as food safety, and independent research and analysis from universities and think-tanks(Gulati, and Ketly, 1999; Mathur, 2002). Mauritius has a formal co-ordination mechanism with the private sector on trade policy issues; and some Latin American lead ministries on trade get increasing feedback from business on agriculture and some manufacturing issues. Private sector input on services remains a problem almost everywhere. Hong Kong is an exception: it has a very active Coalition of Services Industries which liases closely with the Trade Department and the WTO mission.

5. CONCLUSION

This paper discussed the EC/EU trade relations with developing countries. The focus has been on preferential trade intended to promote closer ties with these countries. In the process, the EC integration schemes have been multi-layered such that developing countries may have suffered discrimination despite the special schemes in their favor because the special schemes offered others are sweeter. As EU forges closer and closer

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ties with its European partners, developing countries are bound to suffer from trade diversion. In the face of rising subsidies and increasing dumping, import restrictions and countervailing duties are a right, a survival necessity. The critics believed that WTO has robbed countries of this right through Article 4 and now, would like to rob them even of temporary safeguards by proposing to eliminate Article 5. Some developing countries, particularly the Mediterranean and ACP countries, may be compensated through preferences for themselves but that will then necessarily come at the expense of other developing countries in Asia and Africa. Fruit producers in South Africa for example, protested that Agoa did not induce them to expand production, since the necessary investments were too risky given that the benefits granted by Agoa can be revoked at any time. Producers in Africa can expect that any time they succeed in taking true advantage of Agoa, some special interest group in the US will demand that the benefits be rescinded.

The preferential trade practices discussed principally in the context of the EU schemes, all such schemes and therefore pose greater threat to the interests of developing countries. Therefore, it is more important than ever to successfully complete the Doha round of negotiations, bringing trade barriers down in developed and developing countries on a nondiscriminatory basis. Such liberalization will not only promote genuine free trade but also remove the uncertainty associated with one-way trade preferences, reduce the existing discrimination across countries and help clean up the spaghetti-bowl phenomenon that now characterizes the trading system.

Clearly, there is much trade policy capacity building to do in the developing world. There are examples of better trade policy practice across developing countries. Given lower levels of development and more scarce political and administrative resources, developing countries probably have more to learn about good practice from each other, and from advanced emerging markets like Hong Kong and Singapore, than they can learn from long-established developed countries in North America and the European Union.

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