Common Development Strategies for Asian and Latin American Developing Countries: from the perspective of foreign trade

Wei Dan
Assistant Professor
Faculty of Law of University of Macau

Abstract: The biggest developing countries in the world in terms size, population and GDP are located in the continents of Asia and Latin America. In these regions, there are also the most emerging-market economies with great potential for sustaining high growth rates in the coming decades (so called the BRICs) like China, India and Brazil. Since the last quarter of the nineteenth century to the present, the major developing countries in Asia and in Latin America, such as China, India, Brazil, Argentina, Chile and Mexico, etc have gone through various stages of development. paper makes an analysis of globalization's influences, the strengths and weaknesses of the system of WTO, participation of Asian and Latin American developing countries in the negotiations of Doha Round, development strategies to be adopted by these economies and also some important implications for building new balance in international agenda of 21st century.

I. Introduction

The biggest developing countries in the world in terms of territory size, population and GDP are located in the continents of Asia and Latin America. In these regions, there are also the most emerging-market economies with great potential for sustaining high growth rates in the coming decades (so called the BRICs) like China, India and Brazil. The developing countries of the two continents have contributed to the fast pace of global growth. Many forecasts indicate that the developing countries in Asia and Latin America can become the locomotive of world economy of the 21st century[1].

In the context of the mercantilism of global economy and the globalization of market economies, many developing countries in the two regions share similar of poverty reduction and face similar challenges of national policies adjustments. Among them, trade frictions and competitions coexist with common interests, such as to redress imbalances of global trading system and build an equitable international economic order.

The paper makes an analysis of globalization's influences, the strengths and weaknesses of the system of WTO, participation of Asian and Latin American developing countries in the negotiations of Doha Round, development strategies to be adopted by these economies and also some important implications for building new balance in international agenda of 21st century.

2 . Positive agenda[2] in an era of globalization

2.1 Growth stimulated by trade liberalization: an overview

In view of historical figures, the economic globalization has deepened the international division of labour and offered all countries ample opportunity to integrate themselves more fully into the world economy.

Since the last quarter of the nineteenth century to the present, the major developing countries in Asia and in Latin America, such as China, India, Brazil, Argentina and Mexico, etc have gone through various stages of development. In the case of Asian developing countries, China and India were very much alike in the development path. Both of them lost their leading positions as big g powers in the period from the 1820s[3] to the 1970s and began trying to catch up industrial economies afterwards. Right after independence, both China and India adopted a planned economy and an import-substitution strategy, choosing heavy industry as a priority of their national developments. However, price system distortions, low efficiency in the allocation of resources and the strategy not based on comparative advantage did not achieve a good record. From 1980s onward, the economic liberalization

[1] For example, by 2020 China's GDP will be higher than all individual countries, except the US. India's GDP will have overtaken or be on the threshold of overtaking European economies. Economies of other developing countries such as Brazil could exceed all but the largest European economies by 2020. Indonesia could be on a similar situation.

[2] According to the term given by UNCTAD, the role of UNC assist the developing countries to develop a positive agenda.

[3] China and India ranked respectively as the first and the second leading economy in 1820, see MADDISON, Angus, (1995), *Monitoring the World Economy 1820-1992,* Paris, OECD, p.30.

and more active participation in the economic globalization played an important role in accelerating industrialization and development[4]. Both countries have maintained rapid growth rates in recent years and are reaping the fruits of globalization. Beginning in 1970s, the emergence of a highly dynamic of East Asian economies (Asian tigers) became the most striking feature of world economy, thanks to their adoption of export-oriented economy strategies. And today, all of them have shaken off financial crisis and are much less vulnerable of big shocks.

In Latin America, between 1950 and 1973 when many countries used import substitution and export promotion measures, the region's share of world exports fell steeply, it stabilized between 1973 and 1990, and then began to increase. The foreign debt crisis in the 1980s exposed the fragility of the economies of some of the most important countries in the region, including Mexico, Brazil, Argentina, etc. The 1980s and 1990s exposed the growing diversity of the economic performances and social conditions in developing countries in the region. Some developing countries have been more successful than others, thanks to their national choices of trade liberalization. Brazil[5], Mexico[6] and Chile[7] are the countries that have already benefited and will continue to benefit from the globalization process. The left-wing politicians in some Latin American countries today still persist in the policies of their predecessors, such as fiscal austerity, openness of economies to foreign trade and stability of national currency.

The results to date have been spectacular. Trade has grown twice as fast as world output over the past decade or more. Both developed and developing economies have had economic growth and benefited from economic freedom. The globalization has raised 375 million people out of extreme poverty over the past 20 years[8]. On average, poor countries that have opened their markets to trade and investment have grown five times faster than those that kept their markets closed[9]. UNCTAD figures show that, in the period 1990-2003, developing economies enjoyed an average 7.3% annual average growth in their merchandise exports against 4.9% for developed economies. In the same period, inward FDI stock in developing countries increased by over four times (by over three times, if China is excluded) - about the same as for developed countries[10.] In 2004, eight of the world's top twenty exporters in merchandise trade are now developing countries[11]. The developing countries have contributed to the fast pace of global growth, with strong investment dynamics and an overall growth rate averaging about 6% for the group as a whole. In particular, rapid growth in China and India has contributed to this outcome. Many Latin American countries have also maintained high growth rates.[12]

GDP Growth: World, Asia and Latin America 1820-1998

Region	1820-1870	1870-1913	1913-1950	1950-1973	1973-1998
World	0.93	2.11	1.85	4.91	3.01
Asia (excl.Japan)	0.03	0.94	0.9	5.18	5.46
Latin America	1.37	3.48	3.43	5.33	3.02

Source: Economic Commission for Latin America and the Caribbean[13]

[4] HAN, Kang, ed., (2003), *21st Century: Trials of Strength in the World Economy – Strategy,* Beijing, Economic Science Press, p.58-90.
[5] In the period of military dictatorship of 1970s and 1980s, Brazil was isolated and its exports were controlled. In 1990s, Brazil was well entrenched in a free market and privatization strategy.
[6] Mexico is one of U.S strongest trading partner and is one of the lar markets in Latin America. Its development largely owes to the NAFTA and numerous bilateral trade agreements, in addition to trade arrangement including GATT and WTO.
[7] Chile has relatively few trade barriers and has been at the forefront of trade reform among Latin American countries.
[8] HILLS, Carla A., (2005), "The Stakes of Doha", *Foreign Affairs,* Special Edition, p. 26, "*Studies have also confirmed a relationship between trade and productivity gains: a rise of 1 percent in the ratio of trade to GDP has been associated with 0.5 percent increase in long-term output per worker. Trade also helps reduce poverty by spurring economic growth, the main engine of poverty reduction. Statistical studies show that for developing countries, there tends to be a relatively close relationship between poverty reduction and growth*".
[9] HILLS, Carla A., (2005), p. 26.
[10] WOODS, David, (2005), "Ten Years of the WTO", in *World Trade Brief 2005,* WTO, p. 74.
[11] Source: WTO.
[12] Secretariat of United Nations Conference on Trade and , *Trade and Development Report 2006,* United Nations, New York and Geneva, 2006.
[13] OCAMPO, José Antonio, MARTIN, Juan, (2003), *Globalization and Development: A Latin American and Caribbean Perspective,* a copublication of Stanford Social Sciences, an imprint of Stanford University Press and the World Bank, p. 26.

Annual Percentage Change of Economic Performance of Selected Economies

	Real GDP			Exports of goods and services			Imports of goods and services		
	1995-2004	2003	2004	1995-2004	2003	2004	1995-2004	2003	2004
China	8	9	10	16	27	26	16	25	30
India	6	9	7	12	7	n.a.	8	11	n.a.
Indonesia	2	5	5	3	8	8	1	3	25
Philippines	4	5	6	5	4	14	4	10	6
Thailand	2	7	6	6	7	8	3	8	12
Argentina	2	9	9	5	6	4	2	38	45
Brazil	2	1	5	10	8	19	2	-2	18
Chile	4	3	6	7	11	8	3	9	-4
Colombia	2	4	4	5	5	7	1	5	9
Mexico	4	1	4	9	3	12	12	1	10
Peru	3	4	5	8	6	10	1	3	3

Source: WTO Trade Profiles 2005.

1.2 Core values in economic theories

Over the past fifty years after the establishment of multilateral trading system run by GATT/WTO, namely, from Havana to Doha, the world has secured the highest levels of prosperity, the greatest increase in human welfare and greatest fall in absolute poverty. Economic theories are read as clearly supportive of the proposition that free trade has a positive effect on economic growth and real incomes.

From the classical view of the benefits of free trade[14], Adam Smith argued an absolute advantage according to which the division of labour (specialization) promotes productivity[15]. David Ricardo extended this concept to the doctrine of comparative advantage (so called "deepest and most beautiful result in all economics"). He believed that trade allows each country to specialize in what it does est, thus maximizing the value of its output. Even a country is relatively worse than any other country at producing every good, it can still benefit from free trade[16]. The Hecksher-Ohlin-Samuelson model of comparative advantage explains the benefits stemming from international trade. The character of a country's factor endowments (capital, labour and natural resources) will determine the type of goods a country will import and International trade serves essentially to extend the size of domestic markets, granting competitive exporters a wider range of potential consumers, and freeing labour and capital from uneconomic pursuits. The New trade theory[17], taking into account imperfect competition, increasing returns to scale and changing technology, provides stronger support for free trade policies throughout the post-war[18] and suggests dynamic benefits from trade, such as greater market size, enhanced competition and technological improvements.

On all accounts, trade and economic openness can promote growth through increased specialization according to comparative advantage, greater exploitation of increasing returns, learning of knowledge and technological capacities and improving economic performance through positive impacts on institutions and the political process. The idea that openness to trade is y good for both growth and development enjoys almost universal support and is deeply ingrained nowadays. International trade can play a major role in the

[14] The classical theory bases on some unrealistic assumptions, such as perfect competition, constant returns to scale and fixed technology. Moreover, the gains from trade are primarily static in nature.

[15] SMITH, Adam, (1976), *An Inquiry into the Nature and Causes of the Wealth of Nations,* Oxford, Clarendon Press, p. 475-8.

[16] RICARDO, David, (1951), *On the Principals of Political Economy and Taxation,* vol.1, Cambridge University Press, p. 132.

[17] See for example, MANESCHI, Andrea, (1998), *Comparative Advantage in International Trade,* Edward Elgar Publishing Limited, UK, LIPSEY, Richard G, DOBSON, Wendy, (1987), *Shaping Comparative Advantage,* C.D. Howe Institute, Canada,

[18] Some famous economists contributed a lot in formulatin the new trade theory, such as Krugman, Helpman, Grossman, Brander, Spencer, Lancaster, etc.

promotion of economic development and the alleviation poverty[19]. Just as the UN Secretary-General Mr. Kofi Annan put it, "Trade has been a critical force for development. It has boosted prosperity, spurred innovation and brought people more choices. It has contributed to stability and predictability in international affairs and to peaceful relations among nations"[20].

1.3 Strategies for developing countries in the globalized world

However, the costs and benefits of present multilateral trading system have been unevenly distributed across countries. Like any dynamic economic change, participation in international trade creates both winners and losers, despite trade's net positive effects on the economy. I spite of the expansion in world trade share and great efforts in liberalizing trade by the South, it seems that trade is a driver of global prosperity as well as inequality. There are some successful Asian and Latin American developing countries as globalisers that are catching up, but still a great majority of developing countries are marginalized and left far behind.

Some economists argued divergence between the rich countries and the poor countries (Romer, 1986[21]), while others found empirical evidence of convergence (Sala-i-Martin, 1991[22]). Many economic researches have been made to analyze factors that may lead to the convergence or the divergence. In our view, the increased trade in the era of economic globalization can really bring convergence provided the internal and external limits can be surmounted.

The internal limits contain domestic policies[23], technological changes, optimization of trade structure, restructuring and reform affecting national markets, participation level in the globalization of the developing countries. An active participation in the economic globalization and outward orientation policies appear to be necessary components of effective development strategy and key explanations of why some countries have done better than others. Trade and investment liberalization significantly pays high dividends in terms of improved economic performance. High protection, poor governance and bad national policies in developing countries are harmful to their own development, to other developing global system.

The external limits refer mainly to the inhibiting factors that restrict right conditions and more fair and balanced rules in favour of the developing countries in multilateral trading sy such as the access to the world market, multilateral trade rules in force and other international factors. Although rapid import liberalization helps spur domestic technology to international levels and dislodge domestic monopolies that curb growth, cross-country comparisons show that economic growth is posit associated with export growth and the export growth is as much as a consequence as a cause of higher income growth[24]. However, there is still substantial protection against developing countries' products in the industrial countries, such as high tariffs, domestic and export subsidies, non-tariff barriers and safeguard measures. Protection is y high in agriculture and in other manufacturing areas that the developing countries have comparative or competitive advantage. The TRIPS agreement along with "TRIPS plus" variants can widen the technological gap between the rich and the poor countries. Immigration controls are formidable barriers for developing countries to benefit from liberalization of trade in services.

Economic globalization has already become an essential part of national development strategies of developing countries. The in-depth integration into the global trade liberalization is an important path to realize the convergence with the developed countries, taking advantage of international division of labour, benefiting from international market, reducing the technological gap and creating new jobs. In this sense, development is not simply an adjunct to the global trading system.

The global inequality so far, to a large extent, represents the different levels of taking advantage of opportunities in international markets. It is a reflex of positions of the international division of labour occupied by different countries in the world economic system. It also reflects constraints on convergence and development.

Therefore, to ensure substantial benefits of global trading system, in addition to enhancing the capacity to accept great challenges, to deepen the participation of globalization and to conduct good governance, the developing countries shall play their part in contending for the initiative and raise their voice in the rules-making process in the international arena, having more actions, providing more alternatives and assuming more responsibilities.

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[19] See Ministerial Conference of WTO, Fourth Session, Doha, adopted on 14 November 2001, the second paragraph.
[20] See WTO: WT/MIN(05)/15, No. 05-5923.
[21] ROMER, P., (1986), "Increasing Returns, Specialization and External Economies: Growth as Described by Allyn Young", *Working Paper No. 64,* Center for Economic Research, University of Rochester.
[22] SALA-I-MARTIN, Xavier, (1991), "The Classical Approach to Convergence Analysis", *The Economic Journal,* 106, July, p. 1019-36.
[23] Here, the domestic policies include industrial, technological, social and environment policies.
[24] For instance, Brazil is a very impressive tariff cutter, but it performs considerably less impressively on growth compared with other countries in East Asia. In India, the tariffs remain relatively high, but higher growth predates import liberalization for many years.

2. Participation in the rules-based forum: Doha Development Round of WTO

2.1 Concern for development and the renewed concept

After the former colonies had been freed in Asia and Latin America, the newly-independent countries had a lot in common: they were all very poor and wanted to match their regained political pride with better living stan for their respective populations. Beginning from the 1950's, they united with African countries to overthrow the "old international economic order" prevailing at that time by developed ones. The theoretical foundations of such movements against economic hegemony established by dev countries could be traced back to some famous Latin American economists and sociologists, such as Raul Prébisch, Samir Amim, Celso Furtado, Fernando Henrique Cardoso and others. These authors conducted comprehensive diagnosis of underdevelopment, analyzed the center-periphery relationship and the fair international economic order[25].

The newly-founded developing countries took collective actions in order to get rid of poverty as well as economic control by the developed countries and promote national economy. The first Asian-African Conference, convened in Bandung in 1955, was the herald of action of developing countries[26].

Early in 1960s, some developing countries, the so called "Non-Aligned Nations", made known their position not to become involved in the East-West ideological confrontation of the Cold War. Rather they followed with interests of independence, eradication of poverty and economic development. The first meeting of the Non-Alliance Movement (NAM) occurred in 1961, as a start to oppose the old international economic order.

Soon after, an appropriate institutional framework was created within the United Nations in 1964: the United Nations Conference on Trade and Development (UNCTAD). UNCTAD was the perfect embodiment of a negotiating forum that countries in the South had wished for to advance their demands. Several agreements were launched, such as the non-discriminatory Generalized System of Preferences which guaranteed better market access for developing countries' exports, some International Commodities Agreements which aimed at stabilizing the prices of exports products for developing countries, the Convention on a Code of Conduct for Liner Conferences which enhanced the ability of developing countries maintain national merchant fleets, and the adoption of equitable principals and fair competition rules, etc.

At the end of the first session of UNCTAD, a coalition of 77 developing countries was established, aiming to articulate and promote the collective economic interests of its members and strengthen their negotiating capacity. The birth of the Group-77 is one of the most significant political phenomenons of mid 20th century. For the first time, the marginalized nations found a common voice in defending their interests and promoting greater equity and justice in international relations. Lots of struggles for redressing imbalances, eliminating poverty and assuring peace and stability launched by the developing countries were crowned with victory.

However, the North-South dialogue gradually came to a deadlock by the mid-70s and the 1980s. On one hand, some developed countries stated bluntly that the were not interested any more in pursuing any global negotiations within the North-South format. On the other hand, the economic situations of some important developing countries deteriorated due to the debt crisis.

Since the second half of 1980s, the world economy has e substantial and complex changes due to the globalization. Some essential factors are changing and will continue to change the formation of new international order. First of all, multinational corporations have adopted a global strategy which represents a revolutionary production model: raw materials and components can be processed in locations and final assembly may take place in any country. In the second the technological progresses and information revolution have far-reaching repercussions on every aspects of human life. In the third place, international and regional organizations played a greater role in coordinating different views, settling global problems and seeking new rules in international arena. In the political aspect, the Cold War and the East-West confrontation ended smoothly with the demise of the Soviet Union. Democrac and the principles of free market economy were trumpeted as universal values.

The developing countries have been pushed into the defensive in the context of globalization. The economic globalization amplified the risks and costs of development, as evidenced by the widening gap between the South and the North and by emerging global threats, such as power politics, terrorism, contagious diseases and environment degradation, etc. But looking from another angle, all this has brought about historic opportunities for development.

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[25] In their theoretical literature, the authors argued the dependency thesis of economic development theory, according to which, colonialism had created a rather unique set of structural problems in underdeveloped countries, and the Third World countries were being dragged into a state of dependency upon the First World, as the producers of raw material for manufacturing development of the First World.

[26] The Final Communiqué stated the common interests of Asian-African countries and the ways by which their people could strengthen economic and cultural cooperation, presenting the views about human rights and self-determination, problems of dependent peoples, promotion of world peace and cooperation. The Ten Principals of Bandung was a political statement of all participating countries in dealing with international or regional matters.

All governments in the South have had to make adjustments of national development strategy, affected by the "neo-liberal" inspiration and the "Washington consensus"[27]. And this is not easy for anyone since each country must choose the path that best suits its own genius, facing the same international conditions. More and more developing countries have drawn a lesson from past frustrations and begun to adopt an open and active attitude by implementing significant measures to introduce market y and institutional innovations, because the developing economies need the stimulus of external markets and technologies for the transition to a higher growth trajectory.

The attacks of September 11th in 2001 refocused international attention on the problem of global poverty. Since the beginning of a new century, the development s gone back fortunately on the international agenda. The Millennium Development Goals care for a global partner for development[28] and the need to act on the commitments to overcome extreme international inequalities.

The word "development", has also become a more comprehensive and fragmented concept than ever before. In contrast with the previous perception conditioned by the background in 1960s, according to which the development referred primarily to economic growth, today, the idea of development is understood in a more complex and composite way. Namely, the Brundlandt report "Our Common Future" introduced the notion of sustainable development in 1986. The concept meant an concern over protecting the environment for future generations. Soon thereafter, the United Nations Development Report disclosed a new approach in the "Human Development Index" (HDI), taking into consideration several social indicators in areas health, education, housing and others that were added to basic economic indicators, including income inequality, to produce a richer and more complex picture of every country. After the wake of the financial crisis in the developing world, institution building re-emerged as an essential ingredient of development.

2.2 Redress the imbalances of legal relations between eveloped and developing countries of the Uruguay Round

Trade has been a critical force to bring about economic development. Trade liberalization can lead to prosperity provided it proceeds in a balanced way and takes into count the differentiated needs of poorer countries. The global trading system requires more impartial institutions and rules to safeguard sustainable growth and gain credibility from all participators. WTO is the only international organization which deals with the rules of trade between economies. It is rules-based forum at which members negotiate agreements and resolve disputes over trade issues. It offers predictability and stable trading environment.

Beginning on November, 2001, the first round of multilateral trade negotiation to be conducted under WTO was launched in Doha, Qatar. The Doha Development Agen signed by trade ministers put development at the heart of the WTO negotiations and redressed the imbalances from the Uruguay Round. Now, Doha Round provides improved trade opportunities for developing countries.

When the Uruguay Round was over, developing countries were imbued with great expectations of economic gains, in particular, in the areas of agriculture, textiles and garments[29]. However, the initial results of the Uruguay Round of talks were modest for developing countries and most of the direct interests to developing countries were not fulfilled after the WTO agreements came effective. In addition to many obstacles related to market access to the developed economies, both tariff and non-tariff barriers, the deterioration of trade conditions of some primary products threatens livelihoods in developing nations. According to some experts, the main features of current WTO agreements can be describ "as negative discrimination against the developing countries"[30]. On the other hand, the single undertaking introduced by Uruguay Round implies great challenges for developing countries to live up to their commitments. it is generally accepted that the Special and Differential (S&D) treatments have had little effect in practice[31].

The Agreement on Agriculture of the WTO requires members to undertake the tariffication process, replacing all barriers with equivalent tariff, "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"[32]. All tariffs were also to be

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[27] The "Washington Consensus" consists of the need for achievement in ten policy areas (fiscal deficits, public expenditure priorities, tax reform, interest rates, the exchange rates, trade olicy, foreign direct investment, privatization, deregulation and property rights) and aims to enable the developing countries to initiate sustained growth. To achieve the goal, the developing countries needed to "get the policies right".

[28] See UN Millennium Project 2005, *Investing in Development: a Practical Plan to Achieve Millennium Development Goals, Overview.* UNDP.

[29] The most important gain of developing countries in the Uruguay Round - the elimination of textile and apparel quotas under the Multi-Fiber Arrangement -, came into full effect only in 2005.

[30] DAS, Bhagirath Lal, (2003), *The WTO and the Multilateral Trading System: Past, Present and Future,* Penang, Malaysia, Third World Network, p.195.

[31] HOEKMAN Bernard M., KOSTECKI, Michel M., (2001), *The Political Economy of the World Trading System: The WTO and Beyond,* Oxford, Oxford University Press, p. 393.

[32] See article 4 of Agreement on Agriculture, the measures include non-tariff boarder barriers, such as quantitative import restrictions.

bound. The Agreement requires the members to establish minimum access commitments for each product[33]. But due to high protection in the base period (the average 1986 to 1988 reference price) and the flexibility of each member in converting non-tariff barriers to equivalent tariff, the bound rate is often very high, in particular, those of import sensitive products. In addition, Special Safeguard Provisions (SSG) set by the Agreement on Agriculture, compared to Agreement on Safeguards of WTO, are much easier to be invoked, without the necessity to prove serious injury or threat thereof[34]. However, since most of the developing countries did have any non-tariff restraints before 2005 (the Agreement was implemented in developed countries from 1995 to 2000 and in developing countries from 1995 to 2005[35]), they did not have the right to invoke SSG to protect their domestic producers, since they did not have the pre-established condition (i.e., finishing the tarrification process). Moreover, the current Agreement on Agriculture excludes some subsidies from the reduction obligation[36]; there are some forms of distorting subsidies (including *de minimis* subsidies, direct production subsidies) that are still in effective. While reducing the subsidies covered by the obligation, the major developed economies have increased other subsidies that are excluded from the obligation[37]. Now, in the Doha Development Round, some Latin American developing countries assert that "the distorting effects of high subsidies for domestic agricultural production in industrialized countries have led to oversupply in world markets and to artificially low world prices"[38], and "As far as domestic subsidies are concerned, the overall level of support has to be cut in real, not purely nominal, terms. Such cuts must be accompanied by tight disciplines"[39].

As for Non-Agriculture Market Access (NAMA), developing countries have faced tariff peaks and tariff escalation in industrialized countries on products of their export interest (such as textiles, clothing and leather goods) and non-tariff barriers[40]. Developing countries' exports to developed countries are facing tariffs about four times higher than those imposed on the exports of other developed countries[41]. Many developing countries have been the targets of trade remedies measures of the developed economies[42], such as subsidies, anti-dumping and safeguards. Developing countries' trade structure makes them an easy target of trade protectionist measures, namely, antidumping[43], countervailing duties[44], balance of payments[45], emergency protection[46], etc. Most of their exports are labour intensive and low value added sectors of productivity the early stage of industrialization; however, they are the sunset industries in developed countries. Though the major objective of the Uruguay Round was to constrain the use of anti-dumping, little progress was achieved in this issue[47]. The current WTO anti-dumping regulations are to tilt the rules of the game in favour of import-competing industries; also, there are sufficient loopholes to allow multinational enterprises to freeze out efficient new market rivals from developing countries. In practice, even the launch of an anti-dumping investigation is enough to harm the trade of a developing country. In addition, the Agreement on Technical Barriers to Trade (TBT) and sanitary and phytosanitary (SPS) measures may restrict trade of developing countries, since WTO members remain free to define their technical standards and regulations, the ones applied in the developed countries are more rigorous than the developing countries, developing countries face more difficulties in exploring industrial markets. On the other hand, developing countries have made significant concessions in the area of trade relief means, their use of such measures have been restricted.

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33 See article 4 and Article 5 (2) of Agreement on Agriculture.
34 See article 2 and Article 4 of Agreement on Safeguards.
35 See Article 15 "Special and Differential Treatment" and Article 5 (1) of Agreement on Agriculture.
36 See Article 6 (4) and (5) and Annex 2 "Domestic Support: the Basis for Exemption from the Reduction Commitments" of Agreement on Agriculture. Namely, measures decoupled from output, direct payments under production-limiting programs, direct or indirect assistance for agricultural development in developing countries and total aggregate measurement of support (AMS) which does not exceed 5% of the value of Members' total agricultural production (10% for developing countries).
37 DAS, Bhagirath Lal, (2003), p. 83.
38 Communication from Bolivia, Columbia, Ecuador and Peru presented at the 6th session of Ministerial Conference, Hong Kong, 2005, see WT/MIN(05)/17.
39 Statement by HE Mr. Celso Amorim, Minister of External Relations, see WT/MIN(05)/ST/8.
40 "Between 6 and 14 percent of Quad (United States, European Communities of 15, Japan and Canada) tariff lines at six digit level are above 15 percent. The average tariff peaks in the Quad are over 28 percent, which is 4.5 times its total tariff average of 6.2 percent". Communication from Bolivia, Columbia, Ecuador and Peru (WT/MIN(05)/17), quoted from MARCELO Olarreaga, FRANCIS, NG, (2002), "Tariff Peaks and Preferences" in *Development, Trade and the WTO: a Handbook,* World Bank. Even in the United States, where tariffs average less than 2%, the tariffs on the most poor countries export – footwear, vegetables, fruit juices, peanuts and sugar – range from 40% to over 100%, see HILLS, Carla A., (2005), p.28.
41 ZEDILLO, Ernesto, (2006), "Keynote Address Trade and Development", in *Securing Development in an Unstable World,* edited by BOURGUIGNON, François, PLESKOVIC, Boris and GRAG, Jacques van der, Annual World Bank Conference on Development Economics – Europe, 2006, p.55.
42 China has been the number one target of anti-dumping activities in the world, according to the information from MOFCOM, China.
43 See Article 6 of GATT.
44 See Article 7 of GATT.
45 See Articles 12 and 15 (b) of GATT, also Article 12 of Trade in Services.
46 See Article 19 of GATT.
47 HOEKMAN, Bernard M., KOSTECKI, Michel M., (2001), p. 312.

The current General Agreement on Trade in Services (GA provides a framework of commitments brought by Uruguay Round, with the inclusion of some specific sectors that the developed countries have much supply capacity, like financial services and telecommunication service. Some provisions in GATS related to developing countries' interest are not easily enforcea and not legally binding, for example, the provisions on "Increasing Participation of Developing Countries"[48] and "Negotiation of Specific Commitments"[49]. Most developing countries feel that negotiations are not progressing as they should. In the international trade in services, developing countries enjoy a comparative advantage in labour-intensive services; temporary movement of natural persons (mode 4) is thus keen to improve market access of services for developing countries and will be a development-oriented outcome. Some important initiatives have already been taken in the Doha talks in order to redress the imbalances, namely, in February, 2005, India led a group of Asian and Latin American Countries (composed by Argentina, Bolivia, Brazil, Chile, Colombia, India, Mexico, Pakistan, Peru, the Philippines, Thailand and Uruguay) in proposing a common categorization of mode 4 services suppliers.

For developing countries, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is not a balanced deal, since it considers much more the protection of interests of intellectual property of the developed countries and but address little the technology transfer and aid associated with developing countries' direct interest. Compared to the industrial countries, developing countries are frequently users of the intellectual property instead of holders and creators. In TRIPS, the transition period is much shorter than in textiles or agriculture[50] and the principle of special and differential treatment for developing countries is hard to find. Some Asian countries insisted in previous talks of Doha Round to balance the interests of private intellectual property rights and the intellectual heritage of communities[51], because the current rules do not envisage the North-South discrepancy and protect well such disparity. There are no tight disciplines about the abuse of monopoly of technology and intellectual rights.

The Asian and Latin American developing countries have a strong commonality of interests on major issues. The recent experience has shown that all the imbalances from the Uruguay Round can only be repaired through better implementation of previous commitments y the developed countries, continuation of the principle of special and differential treatment in the global trading system[52] and more active of participation of developing countries in the multilateral negotiation. New balance aimed to achieve equitable objectives does not mean only equal treatment but also compensation for the past imbalances of benefits without adding a proviso.

2.3 G-20: Democracy in WTO decision-making process and in building international regimes

The WTO developing countries members have same level of obligations with the developed countries and cannot be marginalized from the decision making process. Their capacity to redress the imbalances of global trading system depends very much on the effectiveness of participation. WTO is a member-driven and consensus-based organization; any member can block a decision by casting a negative vote[53]. In this sense, reaching agreement in the WTO is tough because it is done bottom-up. Numerous researches have demonstrated that more active participation of developing countries in the WTO also enhances the use of WTO rules[54].

Due to the large number of developing countries and great disparity in their socio-economic contexts, it is quite difficult to harmonize different development strategies and manifold development priorities. However, with an aim of faithful implementation of Doha Development nda, the new coalition of the G-20 brought together developing countries which adopted divergent or even opposed positions in the past (such like the case of Argentina and India) to the multilateral negotiation table, in particular, of the agricultural issues. G-20, composed only of developing countries, represents 70% of the world population with about 22% global agricultural output[55]. Sixteen of the G-20 members (21 countries till October 31, 2006) are Asian and Latin American

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48 See Article 4 of General Agreement on Trade in Services.

49 See Article 19 of General Agreement on Trade in Services.

50 See Article 65 (1), (2) and (4) of Agreement on Trade-Related Aspects of Intellectual Property Rights.

51 "There is growing popular discontent among developing ies over bio-piracy and the misappropriation of their traditional knowledge for commercial gains", cited from the Statement by HE Mr. Kamal Nath, Minister of Commerce and Industry of India, WT/MIN(05)/ST/17.

52 See the statement of Mr. Bo Xilai, the Minister of Com China at the WTO ministerial conference in Hong Kong, source: MOFCOM. China and India insist that all developing countries be treated the same.

53 HOEKMAN, Bernard M., KOSTECKI, Michel M., (2001), p. 56-61. "Most decision-making in the WTO follows GATT practices and is based on bargaining, consultation and consensus…Despite the effective lack of veto power, the consensus practices is of value to smaller countries as it enhances their negotiating leverage – especially if they are able to form a coalition – in the informal consultations and bargaining that precede decision-making".

54 For example, see PAGE, Sheila, (2001), *Developing Countries in GATT/WTO negotiations,* Working Paper of Overseas Development Institute, p.30.

55 See G-20 website on the homepage of Brazil's Ministry of Foreign Affairs, http://www.g-20.mre.gov.br/.

countries[56]. Half of them belong to the first group of developing countries that have already met the criteria to be seen as "institutionally integrated into the WTO"[57]. The G-20 is open to the participation of other developing countries that have the same objectives and positions.

The formation of the G-20 has changed the way the WTO does business. It has helped developing countries to participate fully in the decision-making process and has enhanced the transparency and legitimacy of WTO negotiation. The former "Quad" (EU, USA, Japan and Canada) substituted by the new "Quad" (EU, USA, Brazil and India) has brought out the shift of decision-making power. By forming a bloc-type coalition (instead of an issue-based alliances like the Cairns Group), the developing countries raised their voice in response to "North-South protectionist front"[58] in the "Green Room". As the Brazilian intelligent orator Minister Celso Amorim put it: "In reality, the G-20 had innovated precisely by not being a coalition of *nay-sayers*, but rather a proposal-oriented group"[59].

In a broader sense, the formation of the G-20 also reinforces international regime, government networks and global governance and contributes to build a new balance in the world order. G-20 was born in order to meet international common needs that the international regime requires. With the increasing interests of participation, the WTO is not only a multilateral trading agreement, also a complete international organization or a network through which all members coordinate in order to reply the challenges of economic globalization. In a globalized world, all the sovereign states are institutionalized. They have to take action and resolve conflicts according to international institutions. The growing transnational ctions require a series of new rules, either international or supranational, either formal or informal. In addition to International Law which is playing a more and more important role, international regime that combines the neo-realism and the neo-liberalism, represents a new direction of international community in the 21st century. It embodies an idea of cooperation and the value of moral, and also implies a perspective of legal arrangement, being a new force to mould essential rules of international community in the future. Compared to previous experien these rules pay more attention to equality among nations at the negotiating table and fairness of international order.

Now, despite their different national interests and development needs, through the creation of innovative international regime G-20, the Asian and Latin American developing countries are united to build a new balance.

3. Asia and Latin America's closer trade and economic relations

Both the Asian and Latin American countries have not confined their trade policy to the WTO. They embrace the global trend towards regional trade arrangements[60]. In particular, many developing countries use discriminatory agreements as a way to remove the discrimination to which they have been subjected at the WTO. There are 17 FTAs in force and about 60 ongoing in China, India and Southeast Asia alone. Intra-Asian trade, accounting for half of Asia's merchandise exports, expanded slightly than total exports in the year of 2004[61]. The China-ASEAN FTA Agreement signed in November, 2004 will form a huge market. In Latin America, regionalism plays a critical role as a midway point between the global and national orders. Latin America has progressed further in terms of regional integration than other developing region. In recent years, the intra-regional trade volume has risen steadily. In 2004, it rose again slightly faster than extra-regional trade in 2004[62]. Mercosur has essential impact on the expansion of trade in specific sectors among member-states, as well as between these countries and the rest of the world.

The Asian and Latin American developing countries do not confine FTAs to the region itself. They are also seeking global FTAs partners. Instead of building fortress in Asia and in Latin America, they are willing to negotiate with countries outside the continent. For instance, Chile has been at the in fostering closer ties between Latin America and Asia. It has closed free trade agreement with China in 2005[63] and continues to support greater Latin American integration with Asia through APEC. Brazil and India are studying the possibility of FTA. China is also discussing with Mercosur and many potential partners in Latin America (namely, Brazil and Peru) on the future agenda of FTAs.

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[56] Asian and Latin American members of G-20 are: Argentina, Brazil, Bolivia, China, Chile, Cuba, Guatemala, India, Indonesia, Mexico, Pakistan, Paraguay, Philippines, Thailand, Uruguay, Venezuela.

[57] MICHALOPOULOS, Constantine, (2001), *Developing Countries in the WTO,* Palgrave, p.171.

[58] VEIGA, Pedro da Motta, *Brazil and the G-20 Group of Developing Countries,* Managing the Challenges of WTO Participation: Case Study 7, available at hyperlink http://www.wto.org/English/res_e/booksp_e/casestudies_e/case7_e.htm.

[59] AMORIM, Celso, (2005), "The G-20 and the Doha Round", *World Trade Brief 2005,* WTO, p. 19.

[60] There are many arguments against the Preferential Trade Agreements, however, the author of this article believes in the benefits brought by the regionalism. See the arguments in WEI, Dan, (2006), *Globalização e Interesses Nacionais: a Perspectiva da ina,* Coimbra, Livraria Almedina, p. 248-51.

[61] WTO International Trade Statistics 2005, p. 15.

[62] *Idem.*

[63] The pact covers only trade in goods. According to the xports to China and 50% of Chinese exports to Chile will be exempted immediately from tariffs.

The closer trade relations and economic interaction between Asian and Latin American developing countries are based upon practical needs of both sides. Many developing countries in Asia have comparative advantage in high-value goods and services. China has obvious comparative advantage in labour-intensive goods exports. Latin American countries have comparative adv ge in resource-intensive goods. The economies of the two regions are complementary to one another in nature. The further liberalization in trade and in investment is beneficial and can bring new opportunities of development for each country. Nowadays, Latin America has already been one of the major destinations of Asian investment. As for trade, to take the example of China, it is the third biggest importing country and also the fourth biggest exports country of Latin America. China's huge domestic market has created numerous opportunities for Latin American countries. They benefit a great deal from China's rise. Its rapid economic development requires more resources from international market, and thus will provide a larger market and spur economic growth for Latin American countries.

However, being at a similar stage of development and h g similar levels of competitiveness in some sectors, economic competition does exist together among Asian and Latin American developing countries. High trade tariffs and non-tariff barriers remain and current protection levels i most of them are frequently excessive. As the percentage of trade among them has been growing in their total trade, more protection should be cut in order that developing countries themselves stand to enjoy more benefits from free trade.

Many studies highlight the significance for developing countries to take more initiatives to make further concessions and commitments for the trade among themselves. If they only emphasize on the developed markets and are inclined to maintain the status quo of opening their own markets, they will miss much potential of South-South trade gains. According to a recent study, the opening up of developed countries' market would provide annual welfare gains to developing countries of $22 billion. And the removal of South-South barriers has the potential to generate gains 60% larger[64].

The above analysis demonstrates that the benefits of trade liberalization go with adjustment needs both at the national level and the international level. It is important for the Asian and Latin American developing countries to identify these and adopt appropriate development strategies to gain from regional, inter-regional and multilateral trade agreements and negotiations. South-South cooperation between Asia and Latin America provides new political-economic options and contributes to building new balan in the international scenario of the 21st Century.

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