

Viewpoint: WTO — The Knowledge Deficit in Trade Negotiations



Woman packing coffee in Costa Rica. (CIDA Photo: Patricio Baeza)

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The ferocity of negotiations in the World Trade Organization (WTO) was on display again at the [Fifth WTO Ministerial Conference](#), held in Cancún, Mexico from September 10 to 14. The intensity of the negotiations reflects more than a clash of opinions about free trade. It gives expression to a deep and dangerous power imbalance that afflicts poor countries bargaining with the rich.

It is not that developing countries lack skilled and tenacious negotiators. On the contrary, all but the smallest poor countries have enough trade-policy experts to hold their own in Cancún. Large developing countries like India, Brazil, and South Africa are treated as formidable adversaries precisely because they play their hands so well. And the smallest states in many cases have already clubbed together to pool resources and negotiate jointly.

What many developing countries mostly lack, far more dangerously, is the capacity to analyze and understand their own interests in trade negotiations. Poor countries, almost by definition, suffer a knowledge deficit. They have not developed the aggregations of scholars, interest groups, nongovernmental organizations, and professional public servants that work to generate the hard facts and policy prescriptions informing policy-making in the rich countries.

As a consequence, governments in developing countries commonly come to WTO bargaining badly disadvantaged in any contest with the well-off governments of North America, Europe, or Japan. To put it bluntly, poor-country negotiators are expected to protect the interests of their people with no confident or complete knowledge of what those interests are.

The remedy is not to surrender negotiating points at the bargaining table. Still less is it to abandon the WTO altogether. (In truth, 27 countries are now trying to negotiate their way *into* the WTO, most of them developing countries of the South.)

Instead, the best and urgent course for developing countries is to correct their knowledge deficit with timely, policy-relevant research. Three ready examples make the point:

1. Preliminary discussions over possible multilateral rules regulating corporate competition have incited fierce argument in the run-up to the Cancún meeting. In essence, developed countries have been pressing poor countries to join them in adopting strong international rules against anti-competitive cartels. For their part, many developing countries (especially small ones) contend that local cartels can sometimes benefit local economies by mustering economies of scale, purchasing power, and international marketing reach that tiny firms cannot achieve on their own.

But when exactly does a cartel do a country more good than harm? [CARICOM](#), the community of 15 Caribbean countries, has the benefit of research showing that some cartels actually do promote efficiencies and lower consumer prices — and some don't. In the Caribbean, for instance, various ethnic groups have gravitated to import businesses cooperating to import commodities in bulk, and at generally lower costs than otherwise available.

So a valuable policy implication emerges: In small, open economies it might be better to police cartels and punish abuses than to ban cartels outright. That finding — with the capacity to distinguish between benign cartels and harmful ones — is worth knowing when CARICOM negotiators address competition questions at the WTO table.

2. The 14 member countries of the [Southern African Development Community \(SADC\)](#) are applying fresh research to establish hard-fact links between trade development and poverty reduction. The objective here is not only to anticipate effects of future trade liberalization. It is also to understand better who wins and who loses under policies operating right now. Broader public awareness of those facts can build popular support for potential policy changes.

Case in point: Rich countries have been pushing developing countries to open their economies to freer and less regulated foreign investment. This is something that most poor countries would welcome, under the right conditions. SADC governments see foreign investment in their construction sector, for instance, as welcome and manageable under existing WTO disciplines. Along with infrastructure development, it brings employment, income growth, and technology transfer — especially when it flows through joint ventures with local firms. So SADC countries understandably oppose any foreign investment agreement that would limit their freedom to impose joint-venture obligations. Armed with the right research, knowing their own interests more clearly, SADC governments can align their trade policy and negotiating positions with their own improved development programs.

3. Viet Nam is one of those 27 countries laboriously negotiating its membership in the WTO; the accession procedure began back in 1995. As a developing country, it has a critical stake in the success of the current WTO negotiating round even though it has no formal say in the outcome. But it has already made itself a leading example of sound economic research informing better public policy.

Work by Vietnamese researchers (supported, like the other research described here, by IDRC — Canada's International Development Research Centre) confirms that growth and poverty reduction in Viet Nam would be accelerated by crucial trade reforms in the rich North — especially by reductions and eventually elimination of farm tariffs and subsidies.

Vietnamese research also highlights the needs of developing countries for special transitional provisions in any new WTO trade-liberalizing arrangement — provisions giving poor countries extra time, and aid, to adjust to global competition and to distribute the gains of globalization within their own societies.

But maybe the most telling and universal insight offered by Vietnamese research is that domestic policy reform makes sense even without any reciprocation by trading partners. Moreover, good domestic policy repays itself regardless of whether these WTO negotiations succeed or fail. Researchers demonstrated, for example, that the government's trade policy has worked against its own rural development program. And by improving its trade policy over the past two years, Viet Nam has advanced domestic development without waiting for any WTO concession.

Through all the diversities and contradictions that characterize development challenges in the South, this finding prevails: Successful trade policy, and trade agreements, must fit coherently with sound domestic development policy. To achieve that coherence demands reliable and timely knowledge, firmly based on rigorous local research.

Two conclusions are inescapable. First, if freer trade is to serve the real interests of poor people in poor countries, the hard facts of those interests will have to be understood more thoroughly — and shared more widely. And second, no new WTO trade agreement can be counted a true success unless it promotes the policy research that can help correct that knowledge deficit.

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