

Maximising Earnings from Trade for Financing Development

Next to relying on their internal resources, developing countries will have an unprecedented opportunity in the coming decades to switch from previously entrenched dependencies on aid and external (official or commercial) borrowing, to relying more on earnings from trade and remittances to finance their development. That shift in options reinforces the case for creating and reinforcing a different FfD framework. Priorities for UNCFD should be to:

- ◆ Consolidate and deliver the gains that developing countries were intended to derive from completion of the Uruguay Round;
- ◆ Eliminate the remaining asymmetries that still impede market access in key areas, for example agriculture and textiles;
- ◆ Widen the agenda and scope of the next round of negotiations to increase access to markets (in services and labour markets) in which developing countries can increase their trade earnings by asserting the competitive advantages they have in a globalising world.

4.1. Findings and Recommendations of the Zedillo Panel Report

ZPR makes a strong case for enhancing earnings from trade, with several recommendations that developing countries should embrace

and support collectively. Observing that ‘every country that has pulled its people out of poverty has made a significant opening to trade a central feature of its economic strategy’, ZPR argues for:

- ◆ Cessation of foot-dragging and full implementation by developed countries of their commitments under the Uruguay Round to liberalise trade in areas of significance to developing countries, especially in agriculture and textiles;
- ◆ Removal of the other substantial barriers to trade in manufacturing which two recent studies indicate are costing developing countries: (a) potential gains of about \$130 billion annually on visible trade;¹¹ and (b) between \$90–155 billion per year on total trade¹² which could be realised if developed countries reduced existing import tariff levels by 50 per cent;
- ◆ Initiating a new development round of multilateral trade negotiations at the ministerial meeting of WTO in November 2001 in Doha, Qatar. This round should focus on negotiations that are of concern to developing countries and should aim to make trade as free between OECD and developing countries as it already is between industrial countries within OECD. ZPR outlines a

11 Anderson, K. et al. ‘Potential Gains from Trade Reform in the New Millenium’ (Table 4), in Hoekman, B. and Martin, W. (eds). *Developing Countries and the WTO: A Pro-active Agenda*. Oxford: Blackwells, 2001. See also the comment on this in ZPR (p. 10, footnote 4).

12 Joseph, F. ‘The Economic Impact of New Multilateral Trade Negotiations: Final Report’. Report for DG2 (the Trade Directorate) of the European Commission, 2000.

seven-point agenda for such a round;¹³

- ◆ Reaching agreement on a new round by excluding negotiations on labour and environmental standards and relegating these issues for discussion and negotiation in the decision-making bodies of international institutions already established to deal with these particular issues, i.e. the ILO and UNEP;
- ◆ Strengthening the 'Integrated Framework Initiative' launched jointly by several international organisations¹⁴ to strengthen capacity-building for trade negotiations and export diversification in the least developed countries. The Trust Fund set up for this Initiative should be supported by donors and developing countries alike;
- ◆ Removing all restrictions on market access for the least developed countries¹⁵ and implementing immediately all Uruguay Round concessions which affect them;
- ◆ Restoring and improving the IMF's Compensatory Financing Facility that was scaled back in the 1980s;
- ◆ Supporting (on a trial basis) the new market-based insurance scheme for commodity risk management being promoted by the World Bank in developing countries;¹⁶

- ◆ Opening discussions on liberalising migration by removing restrictions on the movement of people across borders in a phased manner.

4.2 Issues for Commonwealth Finance Ministers to Consider in Enhancing Trade Prospects

The ZPR's 9-point agenda on trade is fairly comprehensive and does not need to be added to. It is based on eight similar recommendations and the logic of arguments made by SGR. But in both instances these recommendations need careful scrutiny. It would be obtuse to argue, in principle, with the desirability of: (a) completing the unfinished business of the Uruguay Round by having developed countries accelerate market opening in key areas; (b) improving on the existing trade regime to permit developing countries to realise significant gains that are being artificially blocked; and (c) gearing up to launch a new Development Round of trade liberalisation in a few months.

But, as the Ministerial Meeting in Doha suggested, unless (a) and (b) are done quickly, there may be more complications involved in launching negotiations for a new Development Round than could reasonably be handled by most developing countries, and especially the

13 The agenda outlined by ZPR includes seven points that are not exhaustive: (1) Finishing uncompleted business from the Uruguay Round; (2) Strengthening the rules of the WTO System; (3) Liberalising trade in agriculture; (4) Reducing tariff peaks and tariff escalation; (5) Re-examining and reforming the regime of Trade-Related Intellectual Property Rights agreed under the Uruguay Round; (6) Legitimising limited, time-bound infant industry protection by countries in very early stages of industrialisation; (7) Examining the prospects of liberalising migration. The Doha meeting appeared to reach tentative agreement on many of these issues. But it remains to be seen whether such 'in principle' agreement is eventually translated into practice as negotiations take place and the next phase in global trade liberalisation unfolds.

14 They include the WTO, World Bank, IMF, UNCTAD, UNDP and the ITC (International Trade Centre).

15 As ZPR notes (p. 12), New Zealand and Norway have already opened their markets completely to LLDCs. The USA has developed special market access programmes for African and Caribbean countries through special initiatives but with limitations that curtail their value. The EU is considering phasing out (between 2002–2004) all quota and tariff restrictions on LLDCs for the import of everything other than arms and (regrettably) bananas, rice and sugar (on which liberalisation will be stretched out much further).

16 The proposed scheme: (a) makes no attempt to stabilise or guarantee commodity prices but focuses on securing in advance the floor price received by individual farmer producers; and (b) envisages operating through an intermediary – situated in an appropriate international organisation like the World Bank – that would reinsure its contracts with private sector insurers and reflect their terms. The intermediary would essentially facilitate the availability of such terms (with, of course, a spread to cover its own costs) to poor farmers throughout the developing world who lack access to private insurance markets. Under the scheme as proposed, the intermediary would sell insurance to farmer-producers on the prices of at least the 12 principal commodities exported by developing countries. Aid resources would subsidise part of the premiums paid by small farmers below a certain income threshold.

least developed given their limited institutional, legal and negotiating capacities. With a few notable exceptions, developing countries as a whole remain to be convinced that the expectations and promise generated by the Uruguay Round Agreements are being realised to the extent anticipated. They have not become more closely integrated into the global economic system in the way they had been led to expect; nor have they become equal members of it. They have not been able to generate export-induced growth of a kind that has enabled them to balance their current and fiscal accounts in order to sustain high growth rates without risking imbalances that could eventually lead to financial crises. In that connection, ZPR's and SGR's recommendation (advocated by the IMF) to restore the IMF's Compensatory Financing Facility to a stature that is more credible deserves support.

There is no single unambiguous study from an authoritative source that indicates what the net impact of UR/WTO trade liberalisation on developing (or Commonwealth) countries has been in terms of whether they have lost or gained. Such studies are complex and demanding. But the need for them is clear, especially if developing countries are to overcome their suspicion that so far, at least, they have lost rather than gained from UR and for that reason must remain wary about engaging in a new WTO round. There can be little doubt that developing countries have incurred major costs (in terms of undertaking the necessary adjustments and in coping administratively with the demands made on their fragile legal systems) in transforming their domestic regimes to accommodate the obligations they have undertaken under the Uruguay Round.

Most such countries, especially small developing (and island) states, i.e. SDS and SDIS that are the most human-resource and financially constrained, have been unable to cope with the administrative and legislative workload imposed by URAs. These require domestic legislation and institutional frameworks to be put in place quickly, so that the complex substantive and procedural rules required can be implemented within the time frame committed to. In certain instances (for example with TRIPS), it is clear that developing countries were not fully aware of the consequences and implications of what was agreed. The costs for such countries in reforming domestic legislation and increasing their capacity to protect legitimate interests through litigation have been much larger than anticipated.

In that connection, ZPR/SGR recommendations for strengthening the Integrated Framework Initiative and supporting the Trust Fund set up to finance it are on target and worthy of support by the Commonwealth. The role that the Commonwealth should play in this initiative, through the Secretariat, has been considered in another report¹⁷ and is taken up later in this section. The Secretariat has a particularly useful role to play in SDS where it has a clear comparative advantage over any other international organisation.

While they are all too clear about the costs, most developing country policy-makers feel that the benefits of the Uruguay Round have been elusive and that the costs of UR may outweigh the visible benefits. In contrast, all developing countries believe that the benefits of UR for OECD members outweigh their costs.¹⁸ OECD countries have been slow to

17 Mistry, P.S. and Saptagiri, L. *An Evaluation of Commonwealth Secretariat Assistance to Member Countries with International Negotiations*. Evaluation Study No. 65. London: Commonwealth Secretariat, 2000.

18 Though that feeling of asymmetrically accruing costs and benefits runs strong, the evidence to support it is unclear. There can be no question that between 1993–99 world trade has increased substantially. The share of developing countries in such trade has increased as well. How much of that increase has been due to the Uruguay Round, and what the costs associated with that increase have been, is impossible to quantify on the basis of the evidence available.

deliver on UR commitments to liberalise trade in agriculture and textiles, both crucial to developing countries. Provisions relating to special and differential treatment (SDT) for least developed countries have not as yet been fully accommodated by all developed countries in their domestic legislation. There has been increasing, and often unfair, resort to contingency protection, for example anti-dumping measures against developing country imports. This has been accompanied by resort to litigation of a kind that violates the spirit of URAs. As a result, developing countries have become ultra-cautious about the wording of any future trade legislation.

To be fair, OECD countries have opened many markets in keeping with UR commitments. But these have not been markets that matter to the developing world. The USA is perhaps the most open market to developing countries for goods, services and labour exports. It is also the most open market for access to capital. But the benefits of that openness are not shared symmetrically by all developing countries.¹⁹ Japan remains a relatively closed market because of non-tariff barriers (NTBs) and traditional trading practices, rather than because of tariffs and quantitative restrictions (QRs). The EU has been slow to adapt because domestic political regimes in its member countries (especially in labour, industrial and agricultural markets) have proved resistant to change. Obviously such changes have attendant social and political costs that these economies have not been willing to incur.

When it comes to trade liberalisation, developing countries remain at a disadvantage. Most of them, especially the smaller countries that are not major players in trade in manufactured goods, believe they have lost from the UR in net terms. They do not have the negotiating capac-

ity (at WTO or in their home capitals) to protect their own interests. They are oppressed by the TRIPS and GATS regimes that have been agreed, and suspect that further trade liberalisation – before the asymmetries and implementation problems of URAs are sorted out – may result in welfare losses rather than gains. They are handicapped by structural and other competitive disadvantages that inhibit their prospects. Without access on equal terms to the same human, capital, institutional and knowledge resources that other countries possess, they would prefer continued resort to special and differential treatment over a sufficiently long transition period to enable them to become more competitive.

For the next round of trade negotiations to be conducted successfully, compromises will need to be made by the developed and developing worlds on overall trade principles and policies, on rates of further tariff reductions and removal of QRs and NTBs, on transition periods, on other troublesome technicalities and on contentious issues such as revisiting the TRIPS agreement. There will need to be hemispheric and region-to-region dimensions to future global dialogue on the continued liberalisation of world trade. More preparatory work will need to be done to proceed with smoother URA implementation and scale back the ambitious agenda for the next round of WTO negotiations embracing several new areas, i.e. environmental standards, multilateral rules on investment, competition policy, trade facilitation, transparency in government procurement; and electronic commerce. In addition, the spectre of *labour standards* being raised through the back door (despite the clear signal from developing countries at the Singapore Ministerial Meeting that these should be left off the agenda) remains ever-present. For all these rea-

19 The main beneficiaries of US market openness are in the Western Hemisphere and East Asia. The EU remains a relatively open market to the ACP countries, to the economies of North Africa that lie on the southern shores of the Mediterranean and, increasingly, to the transition economies of Eastern and Central Europe.

sons, caution is justified on the part of developing countries in responding to ZPR's enthusiasm for a Development Round to be launched quickly.

That note of caution applies even more pointedly to the commodity-risk management scheme that the World Bank has succeeded in getting SGR/ZPR to endorse. The scheme is a distinct conceptual improvement on previous grand designs for global commodity price stabilisation that were unworkable. It is innovative in relying on a market-based solution and using the risk management capacity of the global private insurance industry to address a price-risk problem concerning small farmers in developing countries. But credible analysts²⁰ have raised doubts about its details, practicality and workability. Is an institutional sledgehammer being created to crack a walnut? Why does such an intermediary need to reside within an international institution?²¹

The estimated set-up, capital and operating costs of such an intermediary need to be brought into the open. They are likely to be substantial if it is to have the reach and the network to deal with tens of millions of individual small farmers throughout the developing world in environments where basic physical, institutional, legal and communications infrastructure is missing. More needs to be known about the logistical *modus operandi* of such an intermediary before the concept is endorsed or taken up. Options such as training and developing networks of existing local insurance agents, working with private agents who provide credit and other inputs to small farmers in the poorest countries, may make more sense. A greater level of confidence could be placed in service delivery and contract underwriting

being managed at the apex by a group of private insurance firms with expertise in such a business, instead of a well-intended but inexperienced bureaucracy that has no knowledge of how to deal with small farmers.

4.2.12. Finally, ZPR puts on the UNCFD agenda the issue of opening discussions on more open *labour migration* across borders. Whether or not UNCFD is the right forum for introducing such a major question is a matter of opinion. It is difficult to see how it can be credibly argued that labour standards should be left to the ILO, the vexing question of child labour to UNICEF and environmental standards to international environmental organisations, while putting the issue of labour migration on the agenda of UNCFD. Doing that opens the door to other issues that developing countries might prefer to avoid.

That asymmetry aside, it is obvious that opening up global labour markets less selectively (and self-servingly) is a question that has to be confronted, sooner rather than later, by the international community. Labour-market liberalisation is simply the reverse side of the coin of trade and financial liberalisation. Clearly, remittances are a growing and, in some instances, critical source of export earnings for developing countries. Thus they are a crucial element in FfD. Opportunities for expanding such earnings cannot be artificially inhibited in perpetuity for nationalistic (protectionist) reasons that are becoming increasingly irrelevant in a globalising world.

If globalisation is to have meaning, then borders cannot become pervious only for goods, services, money and the flow of everything other than people. If development is for people, then so is globalisation. That has implications

20 For a reasoned analysis of the issues involved, see Chapters 8 and 9 in Page, S. and Hewitt, A., *World Commodity Prices, Still a Problem for Developing Countries?*, special report. London: Overseas Development Institute, 2001.

21 That option might imbue and perhaps impede it with stifling bureaucracy and ponderous operating practices when it needs to be nimble and agile. It might make more sense for the proposed intermediary to be a self-standing public-private partnership between private insurers and donor governments allowing room for some of its premium income to be partially funded or subsidised by donor governments.

for accommodating and encouraging the unimpeded voluntary movement of people across borders. How can labour mobility and labour market flexibility be a virtue at the national level and a cardinal vice at the international or global level? Closed labour markets in industrial countries can only add to inefficiencies in the global economic system because the global labour market is not being permitted, as a result of the policies of industrial countries, to clear as it should.

Certain segments of the global labour market (especially for high-skill human resources or HSHR) are already quite open – for example for top executives in transnational corporations, star talent in the media, entertainment and sporting fields, and top academics, scientists and researchers. There are no substantive restrictions preventing such individuals from crossing the borders that they want to cross. Moreover, borders for legal human migration among OECD countries are already more open than borders between the OECD and developing countries. There is no economically justifiable reason for such a dichotomy.

Developed countries have, of course, been swift to open, temporarily, access to labour markets for intermediate and low-skill human resources in which they suffer acute shortages. This was recently witnessed with middle and relatively low-skill IT talent from India, and with the aggressive (even shameless) recruitment of professionals from developing countries in the primary and secondary education and health sectors of OECD countries, particularly the UK, at the present time. Some of these temporary, self-serving market-openings have secondary and tertiary backwash effects. For example, the exodus of teachers, nurses and doctors from South Africa into OECD countries is resulting in South Africa draining its neighbours in Africa of such professionals. Temporary, segmented labour market opening can have significant human costs, as was evident with the

collapse of the ‘dot-coms’ in early 2000 which resulted in many newly arrived immigrants from Bangalore to Silicon Valley having to return within a few months.

Conceptually, selective opening of labour markets is just as undesirable, pernicious and harmful as selective opening of markets for goods, services and capital. That truism holds irrespective of the political, social and racial sensitivities of protected labour in the developed world. Selective, self-serving opening of labour markets (which, unfortunately, is the only type of opening that political and social circumstances in OECD countries permit at the present time) puts developing countries in triple jeopardy. It denudes them of the HSHR that they desperately need, for example, to bridge the digital divide and to meet the ambitious targets of IDG-2015. It deprives them of expected benefits from the long-term investments they have made in developing such high-skill human resources. And it leaves them with a huge labour surplus at the low-skill end of a size that they cannot absorb or provide an adequate social safety net for in their own economies.

At present there are no arrangements or protocols to compensate developing countries for an artificially induced loss of investment in HSHR arising from the failure of specific segments of the labour market in developed countries. These failures are attributable to myopic policies that trigger egregious supply-demand imbalances in industrial countries at awkward political moments in time. The costs of adjusting to such sudden labour-market failures are casually, and thoughtlessly, passed on to developing countries, which are effectively treated as a reservoir or sump to be drained when such circumstances arise.

To be sure, developing countries derive benefits from opportunistic labour market opening in OECD countries through remittances. Such flows, however, are not a characteristic of HSHR exports as much as they are of low-skill

human resources exports, for example to labour-short Gulf countries. There is anecdotal evidence of other benefits associated with countries that have a large diaspora, for example the sustained growth of FDI in China driven by overseas Chinese, and the large short-term bank deposits of non-resident South Asians which effectively help to swell the international reserves of their countries of origin.

In addition to the asymmetry of industrial countries arguing self-servingly for the opening of all markets (goods, services and capital) except labour on a non-selective basis, the changing demographics of developed countries²² raises compelling arguments for more open, liberal immigration policies that accommodate labour inflows at all skill levels with fewer restrictions. Such changes will require significant and painful adjustment in the political and social markets of OECD countries. But their current policies require even larger adjustments to be made, and significant opportunity as well as real costs to be absorbed, by developing countries in their own labour, goods and services markets.

The case for opening up the question of liberalising labour migration is irrefutable. But the question is 'How strongly will Commonwealth Ministers wish to support such a recommendation by ZPR?' The answer is fraught with the diplomatic sensitivities that surround this issue, and the inconsistency of doing so while insisting that similar issues only be raised in the decision-making bodies of the specialised institutions concerned. This paper argues that developing countries should place a marker at UNCFD that the liberalisation of labour migration is an issue that has to be confronted sooner or later. But the temptation should be eschewed to push the issue too far, especially if

it threatens to derail UNCFD and prevent it reaching productive outcomes.

4.3. The Special Role of the Commonwealth Secretariat

A brief digression is needed on the special role that the Commonwealth Secretariat might play in connection with the position that Commonwealth Ministers of Finance might take in UNCFD on another round of trade liberalisation. This detour is necessary because of the implications that the next trade round will have on FfD over the next 20–25 years, and the institutional implications it has for the Secretariat in helping member countries (especially the least developed, SDS and SDIS members) to cope.²³

With the shadows of Seattle (as well as Prague, Washington, London, Gothenburg and Genoa) continuing to cast a shadow over a new trade round, the Secretariat has a crucial role to play in shaping the attitudes and policies of an influential group of developing countries. Such a role would add value to the new round by helping to achieve positive outcomes. Developed Commonwealth members (Australia, Britain, Canada, New Zealand and Singapore) can influence policies and attitudes in OECD countries. Similarly, countries such as India, Malaysia, Nigeria and South Africa have a growing influence on opinions and attitudes in the developing world. If existing URAs are to be implemented smoothly, and negotiations in a new Development Round conducted satisfactorily, it is crucial to have these opinion-makers on board. The trial balloons released by ZPR may be more usefully explored within the Commonwealth family before attempts are made to agree on them at UNCFD or WTO.

In facilitating global, hemispheric and region-

22 This is true of almost all the major OECD countries except the USA whose immigration policies, despite restrictions, are more liberal than those of the EU or Japan and whose periodic amnesties for illegal immigration allow in large numbers of low-skilled immigrants.

23 In making this detour, attention is called to a recent evaluation of the Commonwealth Secretariat's assistance to member countries with international negotiations; and especially with trade negotiations concerning WTO and ACP-EU, i.e. Evaluation Study No. 65, op cit.

to-region trade dialogue,²⁴ and ensuring its compatibility with the emerging WTO regime, experience with assistance on trade-related negotiations suggests that the Commonwealth provides unusually flexible scaffolding. Sensibly used, it could make a contribution to the eventual construction of a more durable, robust WTO edifice that is less vulnerable to Seattle-type disruptions and discontinuities.

Commonwealth developing countries are all having difficulties (of varying degrees of severity) with putting in place revised domestic trade *legislation* to conform to their undertakings and obligations under URAs. With a new trade round, that problem will be compounded. Developing member countries need legal assistance from the Secretariat to help them cope. The Secretariat could design model legislation, consistent with a common law heritage, that would be applicable across Commonwealth countries with modifications. Assistance is needed immediately in coping with the revision of TRIPS and copyright law (under which special provisions need to be designed for protection against predatory bio-prospecting by foreign companies of unique plant and marine life varieties) and GATS.

In addition, developing country members require assistance with framing domestic trade and investment legislation that is flexible and adaptable. Such legislation must accommodate a new global trading regime that requires continual reduction of tariffs, as well as removal of non-tariff barriers, administrative barriers, and changes in customs and excise rules and procedures along with the necessary enforcement provisions. Help is needed in devising appropriate legislative and regulatory regimes for government procurement, Internet service provi-

sion and the conduct of e-commerce. Existing laws governing the provision and regulation of telecommunications and broadcasting services need to be revamped to accommodate private and foreign participation in these areas.

Assistance is also required for revising legislation governing the regulation and control of cross-border financial transactions with special provisions for those conducted over the Internet. Dedicated Secretariat websites on trade issues need to be established urgently with up-to-date information accessible to all members. These websites should be updated weekly and contain access to all background papers and studies prepared, the latest information on the status of negotiations in key areas and the positions of key countries. They should also include a Secretariat news bulletin informing trade officials in governments of the issues they should be tracking. To some extent, the new series of WTO Policy Briefs launched by the Secretariat fills this need, but it needs electronic dissemination.

The above suggestions constitute a rich agenda for the Commonwealth Secretariat to contemplate in designing an appropriately balanced programme for its own special assistance for member countries. But the Secretariat needs also to play a front-line role under the proposed Integrated Framework Initiative supported by ZPR. Its particular comparative advantage over any other multilateral or bilateral institution lies in dealing sympathetically and cost-effectively with SDS. It is regarded by most, if not all, SDS members' governments as an extension of their own capability. The Secretariat should, therefore, be delegated specific responsibility under the Integrated Framework Initiative (IFI) for delivering an integrated package

24 For example, the Commonwealth Secretariat is already playing a role in assisting its Caribbean members with the on-going trade dialogue between NAFTA and CARICOM. That will eventually spill over into the WTO arena. Similarly the Cotonou Agreement has set the stage for trade-relations between the EU and various REPAs in the four or five African sub-regions; between the EU-Caricom; and EU and the Pacific. The Commonwealth Secretariat could play a role in cementing trade ties between ANZ and the Pacific, and, assuming political factors eventually permit, within SAARC and between SAARC and ASEAN.

of technical assistance on trade negotiations to all SDS with in-country assistance being focused on Africa, the Caribbean and the Pacific.

The capacity-building assistance required by SDS for trade should be funded by the IFI Trust Fund, not by the Commonwealth Secretariat's meagre budgetary resources. In that connection, developed Commonwealth countries should give serious consideration to expanding the extant Trade and Investment Assistance Facility (TIAF) in a manner that enables the Secretariat to contribute to the Trust Fund some of the resources required for assisting SDS and SDIS. The Secretariat must pay attention to the training, knowledge and support needs of trade officials not just at the negotiating table, but including officials participating in inter-ministerial committees on trade in the capitals of Commonwealth member countries. It needs to achieve a better balance between: (a) assistance delivered to member country delegations in Brussels (for ACP-EU negotiations) and Geneva (for WTO); and (b) assistance delivered to their trade officials and ministries in home capitals. That may involve communicating more effectively the policy work that the Secretariat has done and improving on its follow-up efforts to make sure that such work is translated into sound policy-making at country level.

In providing such assistance, the Secretariat must avoid duplication and overlap with other international institutions operating under the IFI. But although that caveat is fine in theory, it is often difficult to apply in practice. It is not always possible for the Secretariat to know what other institutions are doing. The priorities of other institutions (especially the Bretton Woods Institutions) often shift in mid-stream. With ODA diminishing, every international institution is now gravitating toward assisting with the new Round. Trade liberalisation has become a new growth industry for multi-

lateral agencies (whether multilateral or bilateral). The World Bank and the IMF have large, established work programmes on assisting developing countries with trade liberalisation because it features as a central pillar in adjustment programmes. But assistance from these sources carries ideological baggage (not always temporally consistent) that diminishes its value. Small Commonwealth members in need of assistance prefer the Commonwealth Secretariat or UNCTAD as a source of such assistance (although with UNCTAD they often have to wait for unduly long periods because of the acute constraints on UNCTAD's own resources which lead it to ration its services).

SDS are concerned that the advice they receive from the IFIs on the positions they should take in the next WTO round will be of a kind that will make it easier for *developed* countries to achieve their objectives in the negotiations. Such advice does not necessarily cater to the interests of the developing world. Many member countries believe that this is what happened in the context of UR negotiations. They succumbed to IFI pressure to reach agreement, only to find that they are now having considerable difficulty in implementing URAs and living with their consequences.

The Commonwealth Secretariat's role in assisting the SDS with trade negotiations should avoid placing too heavy an emphasis on arguing for SDT under WTO rules. Its continued reliance on the SDT argument may be justified in the short to medium term. But after that it reaches a dead-end. What is needed to make the argument for SDT over a transition period credible is a vision for the structure and competitiveness of SDS when that transition period has ended. Without a strategy for making SDS economies viable in the long-run, the argument for a transition to something that is not even a vague idea, holds little intellectual water. Structural constraints on SDS economies lead to the logical conclusion that if

SDT is to be argued for, then the case has to be made that such treatment is needed in perpetuity and not just for a transitional period. Such a stance is untenable under the emerging WTO regime, which cannot accommodate SDT for more than a limited period. If experience over the last three decades is a guide, it is not clear exactly what buying more time for SDS to become competitive is likely to achieve and by when. The problem that must be confronted by the Secretariat and its SDS members is to seek a long-term approach to competitive viability under which the 'wherewithal deficit' of SDS is resolved, rather than perpetuated.

The long-run solution may be for SDS to associate with larger regional groupings in their neighbourhoods on a basis that enables them to maintain some control over their destinies. As a strategy, the Secretariat should argue the SDT case for SDS only as a one-off, time-bound, expedient. It should focus more on encouraging forms of regional integration that facilitate transitions under which, for example, CARICOM associates with NAFTA and/or Mercosur as quickly as possible, and deals with WTO as part of NAFTA or Mercosur or both.

In the same vein, the Secretariat should assist African economic groupings with SDS members to integrate faster and enter into better arrangements with the EU under the evolving Cotonou framework. African sub-regional groups, such as ECOWAS and SADC, should be encouraged to enter into closer trading and monetary arrangements with the EU that can be refined over time. Similarly, the Secretariat should facilitate a process whereby Pacific

SDIS become members of ANZCERTA and ASEAN under appropriate arrangements. They should cope with future WTO rounds through regional arrangements. Whatever SDT they need should be negotiated within these arrangements, compatible with WTO rules. The key objective that SDIS should achieve under associated membership arrangements with larger trade blocs in their respective regions is not the perpetuation of SDT, but open access to the labour markets of the region in order to increase their remittance earnings opportunities as a first step toward achieving durable self-reliance. The *quid pro quo* is opening their economies to non-indigenous investors from the region in every sector, including land. They will need to embrace more enthusiastically than they have been willing to do so far, the entry of know-how, investment capital, entrepreneurial talent, and human/social capital of the kind that they urgently need.

SDS members can no longer keep themselves closed to these influences, and earn a living *on their own terms* through SDT in a world that no longer recognises the right to special exemptions. Harsh as that sounds, it is a reality that the Commonwealth needs to confront sooner rather than later. Obviously, the Secretariat cannot be naïve about the difficulties that SDS will face in integrating with neighbouring regional blocs on appropriate terms. Nor can it be sanguine that this can be achieved quickly or painlessly. That problem notwithstanding, these suggestions illustrate where a viable future for SDS may lie.