

Do Global Trade Institutions Marginalize the Poor?

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Backwaters of Global Prosperity: How Forces of Globalization and GATT/WTO Trade Regimes Contribute to the Marginalization of the World's Poorest Nations. Edited by Caf Dowlah. Westport, CT: Praeger, 2004. 220 pp., \$84.95 (ISBN: 0-275-98043-X).

Backwaters of Global Prosperity by Caf Dowlah, focuses on the expanding group of least developed countries (LDCs) that have been largely excluded from the benefits of economic globalization. Situated within the literatures on both globalization and development, the book's core concern is real and of great consequence. Indicators show a pronounced gap between developed and developing countries. Even as advanced industrial economies grow stronger, more nations suffer extreme poverty, poor health, substandard education, and substantial economic vulnerability. The crisis is global and severe. Dowlah's primary objective is to convince readers that globalization broadly and the institutions that support the multilateral trade regime specifically—that is, the General Agreement on Tariff and Trade (GATT) and the World Trade Organization (WTO)—have played a significant, causal role in marginalizing the world's poorest economies while allowing developed countries to reap the benefits. In Dowlah's words (p. 12):

There are literally mountains of evidence that suggest that the LDCs have increasingly been marginalized in the rapidly globalizing world economy, and much of this debacle can be attributed to economic globalization, to the processes of economic integration of trade, migration, technology, and financial flows around the world, that took place during the second wave of globalization (1945–1980).

Backwaters of Global Prosperity presents an array of summary statistics to illustrate the marginalization of the LDCs, which have grown in number from 24 in 1971 to 50 by 2003. By definition, the LDCs are marginalized states with substandard per capita income, weak nutrition, poor health, limited education, low literacy, and substantial economic vulnerability. To explain this trend, Dowlah turns to the multilateral trade regime and asks how the GATT and WTO have contributed to the marginalization of the LDCs in the contemporary world economy. He argues that successive trade rounds have had adverse and discriminatory effects on developing countries, especially the least developed (for related views, see Wallach and Sforza 2000; Peet 2003). Differential treatment measures under the trade regime have proven disadvantageous, failing to halt the process of marginalization and failing to provide greater access to the developed world's markets. (For thoughtful discussions of marginalization, see Rodrik 1997; Bhalla 1998; Stiglitz 2002. For contrasting views, see Bhagwati 2004; Jones 2004; Wolf 2004.) The benefits of trade liberalization accrue largely to the developed countries that have designed the rules. The LDCs continue to suffer from trade protectionism in the two sectors in which they have substantial export interests and which most influence their growth potentials: textiles-clothing and agriculture (on agriculture, see Ingco and Nash 2004; on manufacturing, see Guha-Khasnobis 2004).

Developing countries have experienced “protracted, prolonged, systematic, and deliberate trade protections” during the entire GATT period in both sectors and, although successive trade rounds brought down barriers to trade, the world’s poorest countries have still not received the promised benefits from liberalization (p. 107).

“The central issue is not that humankind does not need institutions for global governance, it is just that such institutions should be freed from the clutches of wicked minds, from mindless profit seekers, shrewd power mongers, and organized vested interests” (p. 168). The solution, according to Dowlah, is to make the globalization process work for rather than against the LDCs by better integrating them into the governance of the trade. Recommended actions include appointing an independent global commission for the LDCs, establishing an LDC-exclusive think tank, ensuring market access for LDC goods, and strengthening LDC authority in multilateral institutions.

Backwaters of Global Prosperity is unique among critiques of the multilateral trade regime. Unlike “knee-jerk protectionists” who reject neoliberalism outright (p. 168), Dowlah offers a critical assessment of GATT–WTO policy without rejecting the project of liberalization. Indeed, liberalization is portrayed as a process that cannot be turned back and that brings substantial benefits to many countries. For this Dowlah should be commended. The book is also savvy to the reality that the trade regime is, at its core, a political process that has never hinged on economic and business interests alone. Disparities in political power and authority have shaped the institutional rules and processes that govern the international trade regime, and these rules and processes most certainly have effects, sometimes pernicious, on poor and weak countries.

Nevertheless, *Backwaters of Global Prosperity* reads more like a political treatise than an exercise in social science. Its core claims are more often than not buttressed by rhetorical arguments rather than systematic evidence. Moreover, the connection between the effect (that is, the marginalization of the LDCs) and the proposed cause (that is, the multilateral trade regime) is often tenuous. Perhaps most disappointing is the book’s almost complete inattentiveness to variation across both of these factors.

LDCs are marginalized by definition of the United Nations. And, clearly, the peoples of many countries suffer from extreme poverty, economic vulnerability, and lack of human resources. The problem is vast. What is not clear is what aspect of marginalization Dowlah is trying to explain: why the number of LDCs has grown over time; whether and why the LDCs have become more marginalized over time; or why the gap between developed and LDCs is growing. These are all important questions, but they are not the same. Nor is it always clear which aspects of marginalization are being considered or which time period is being analyzed. Since the formation of the GATT in 1947 and the creation of the WTO in 1995 (and not, in 2005, as the book mistakenly claims on p. 32), the LDCs have grown in number. Yet, they have also seen vast fluctuations in income and human resources as well as in the stability of agricultural production, exports in goods and services, merchandise export concentration, and the displacement of peoples—all indicators of LDC status. No single trajectory downwards has occurred. Rather, this has been a bumpy and often conflicting process. To be sure, not all LDCs have become less developed over time. Most show variations across indicators, and many have experienced trends in development indicators that pull simultaneously in opposite directions. Dowlah offers a sweeping view of development history that, piecemeal, touches on all of these outcomes without ever distinguishing one outcome from another or settling on which aspect of marginalization to explain during which time period. No one denies that marginalization has occurred, but it is a crucial task for a study of this kind to carefully define the problem at hand, considering the intricate variations across time, countries, and indicators.

Without knowing the precise effect to explain, it is hard to consider the cause. The multilateral trade regime most certainly affects some aspects of development, but which aspects, how, and to what effect? Although Dowlah presents a useful overview of trade liberalization in clothing-textiles and agriculture, he does not provide satisfying answers. Only 29 of the 50 LDCs are members of the WTO (p. 152). Yet, *Backwaters of Global Prosperity* does not distinguish between members and nonmembers in either argument or evidence. Dowlah simply makes sweeping claims that the multilateral trading system marginalizes the developing world in general and the least developed world in particular. Maybe, but the evidence and causal links are not clearly articulated, and a great deal of literature suggests, at the very least, that the effects are not unequivocal or uniform. Do GATT-WTO rules affect all LDCs or only members? Are the LDCs that are not members better or worse off than members? Are all LDCs equally and negatively affected by the regime? How has liberalization in sectors other than clothing-textiles and agriculture influenced LDC development? What other factors influence growth, and how are these related to the trade regime?

For a scholarly work, surprisingly little consideration has been given to the alternative and additional factors that help explain why so many countries remain underdeveloped in a globalizing economy, or explain why the LDCs in some regions of the world have fared so much better than others. (For analyses of variation in effects across states, see Stallings 1995; Rudra 2002.) Dowlah notes only in passing that many LDCs suffer colonial legacies and ideological proclivities toward autarchic rule. Many such countries are burdened with inefficient and corrupt political regimes and have an overwhelming economic dependence on primary commodities. Most such countries lack a strong civil society, technical capacity to expand markets, and negotiating capacity or legal infrastructure to participate in multilateral negotiations on an equal footing. They are also faced with high population growth rates that strain available resources. The reader is left wondering how much underdevelopment can really be attributed to the GATT-WTO as the sole or primary cause and whether the LDCs would be better or worse off without it.

The greatest strength of *Backwaters of Global Prosperity* is its acknowledgment that the GATT-WTO regime has not universally benefited all countries, particularly those in greatest need of benefits; that institutional rules and procedures are often less advantageous to developing and LDCs; and that the institutions that govern trade could be better designed to redistribute wealth around the globe. Without a clear articulation of the marginalization it seeks to explain, however, deep consideration of the alternative and concurrent forces that can and do influence this marginalization, and a closer attention to the linkages between the two, *Backwaters of Global Prosperity* does little to advance the debate about how to make a globalized world better.

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