Trade, Development & the WTO

Regional Workshop on Trade-led Development in the Multilateral Trading System

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The relationship between Trade & Development:

- The Commission on Growth and Development (2006-08) looked at high growth countries. Some key conclusions:
  - ***Growth matters***. "Growth is not an end in itself. But it makes it possible to achieve other important objectives of individual societies. It can spare people en masse from poverty and drudgery. Nothing else ever has."
  - ***Success at using the global economy matters***. All 13 countries that sustained 7% growth for 25 years or more **"fully exploited the global economy."**
  - The relationship between trade and growth likely depends on a number of factors such as **labour mobility, human capital, infrastructure, institutions and/or structural change**
  - However, what appears to be irrefutable is that **greater openness is generally associated with higher levels of income**

Integration into the world economy can really help boost a country's economic growth and development…
(Winters 2012)

But the causal relationship is not so simple…merely opening up your market may not be enough….also size of economy matters, as do a host of other factors…..

The academic literature also gives mixed signals…

Rodrik (2000): Growth leads countries to open their markets. *Growth helps trade*.

Ravallion (2001): “People are often hurting behind the averages”; considerable cross-country variation. *It depends*.

Dollar and Kraay (2001): Trade liberalisation leads to growth. *Trade helps growth*.

Dollar and Kraay (2002): Income of poorest fifth of society rose in roughly equal proportion with increases in average income. *Growth helps the poor.*

McKay and Sumner (2008): Growth has even been accompanied by increased poverty. *Sometimes growth can hurt the poor.*

What do many developing countries look like?

- Low level of industrialization
- Small Domestic markets
- Heavy reliance on primary product exports
- Low domestic savings to invest; cost of capital is high
- Limited access to advanced technology
- The same policies can have very different effects
- Domestic and external constraints on reform

So, with this background, the question is

"How To Make Trade Work For Development"

How To Make Trade Work For Development

- How to overcome the constraints faced by developing countries?
- How to help developing countries maximise the benefits from the multilateral trading system?
- Steps would need to be taken:
  - Institutionally