

DEVELOPMENT AND THE WTO: FREEDOM FOR WHOM?

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1. Introduction

This article explores three distinct analytical approaches that offer insights for reflection on the issue of international trade providing a critical view on the World Trade Organization's (WTO) functioning and its alleged defense of free trade as an engine for development. Such perspectives are: comparative advantages; dependency theory and Global Commodity Chains (GCC) / Global Value Chains (GVC) analyses (which will be considered jointly for the purposes of this article). Initially, a brief overview is given on what these perspectives emphasize as core assumptions in terms of how the international trading system works. Following, the article refers to excerpts taken from important WTO materials – some prepared by the WTO's Secretariat and legal texts of WTO agreements – in order to show that such Organization presents the perspective of comparative advantages as if it was a central principle guiding its functioning. Furthermore, the article draws on the WTO's history and elements of its actual operation to assess the extent to which those three distinct analytical approaches related to international trade, explored here, are present in the WTO's framework and/or help explaining its functioning. The article concludes by evincing that the strong stance that the WTO takes in favor of stimulating countries to rely heavily on their comparative advantages in their engagement into a free world trade, borrowing Ha-Joon Chang's words here, is in fact not much more than a disguised attempt of “kicking away the ladder” through which the currently developed countries

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have climbed throughout their historical trajectories (and which, to a large extent, they still use contemporarily).

2. The Functioning of International Trade and Development through the Prisms of Comparative Advantages, Dependency Theory and GCC/GVC Analyses

The topic “trade” – comprising underlying considerations on how the international division of labor should be set – and its relationship with economic development has been, for a long time, an issue that caught the attention of political economists and analysts of international affairs, and still does nowadays. This first section provides a brief overview on the way the patterns of international trade and their relationship with development are conceived from the standpoints of comparative advantages, dependency theory and Global Commodity Chains (GCC) / Global Value Chains (GVC) analyses.

It is important to recognize that these three analytical perspectives might encompass other elements that are not restricted to trade only. That is to say, their embedded theorizations and analytical frames provide insights and bring about assumptions that also relate to aspects such as technological change, patterns of production, patterns of consumption and others. Given the scope of this paper, this section is focusing on the more-immediate trade-related aspects stemming from these analytical approaches, concentrating on the key aspects that are needed for the analysis undertaken in the article.

2.1. Comparative Advantages

Initially systematized as a theory by classical economist David Ricardo (1817), its core idea about international trade departs from a theoretically based assumption that free trade benefits all countries. According to this perspective, this would happen even for those countries that did not present any absolute advantage, in sectors of its economy, as compared to other countries. The rationale behind such theory is quite straightforward. An example can be seen as follows:

Comparative advantage means that the opportunity costs for producing a certain good are expressed in the cost of production for another good: it may take Canada four units of beer to produce one unit of wine, whereas in Mexico the relation may be two to one. This does not mean that it is actually cheaper to produce beer in Mexico. A comparative advantage can go along

with an absolute disadvantage. If we follow this theory, Canada is expected to focus on beer and Mexico on wine, even when absolute costs for *both* products are lower in Canada (Henning 2007).

Under such perspective, thus, the progressive specialization of developing countries in producing mainly just a few low value-added commodities (or raw materials) was not perceived as a problem. On the contrary, it would enable a more efficient functioning of the international economic and trading system as a whole, promoting growth and development to all. Amsden (2007, 12) points out that, defending such perspective, a leading orthodox economist has once synthesized such idea in a very symbolic phrase: “a country can gain as much from producing potato chips as from making computer chips”.

2.2. Dependency Theory

In a direct critique to the comparative advantages approach, dependency theory emphasizes a set of elements that discourage developing countries to naively board on the discourse of international free trade as a promoter of development. For instance, according to Amsden (2007, 12), as argued by Raul Prebisch, “prices of raw material, which accounted for around ninety per cent of Third World exports, had fallen over time relative to the prices of manufactures”. Thus, “raw material exporters had to give more and more just to stand still”. In addition, “they were also losing from technological change”. As highlighted by authors such as Cardoso (1977) and others, pattern traits of international trade oftentimes emphasized by different dependency theory scholars would include: persisting relations of “coloniality”² and a trade pattern marked by the dominance of developed countries, and their companies³, in a way that damaged developing countries’ prospects of attaining their own industrialization and development. Thus, the appropriation of wealth, unless something different was done, would tend to be uneven, strongly privileging the central economies (developed), rather than the peripheral ones (“under-developed”⁴).

A proposed solution, stemming from this perspective, would often encompass the adoption by developing countries of more autonomous development and trade strategies more pro-active and less subaltern to the interests of developed nations. The Imports Substitution Industrialization (ISI) strate-

2 Existing even after formal processes of independence / de-colonization.

3 Not rarely, under the blessings of traditional local elites, who would benefit from an uneven domestic process.

4 See, for instance, Frank (1966) and Furtado (1964).

gy was often emphasized as a possible way of putting that advice in practice⁵. In such context, the concept of protection of “infant industry”⁶ would play a relevant role. Policy instruments such as “temporary tariff protection from international competition”, “subsidies”, “copying of foreign manufactured products and learning from it to develop native technologies, until the point that the country and its industries were able to compete in domestic and world commerce with more value-added products” were elements, among others (such as state investment in strategic areas), which should be considered and combined in appropriate mixes. In other words, “development policies” were deemed to play a key role in effectively enabling countries to prosper, considering the perceived global scenario.

Nevertheless, this is not to say that dependency theory is against trade *per se*. Instead, dependency theory highlights the need to reflect about the previously and currently existing patterns of trade (and of production). From this, dependency theory often advocates the importance of states from developing countries to strategically and proactively act in favor of changing such patterns toward ways that would be considered more prone to promote domestic development and to progressively break from underdevelopment and subordinate relations.⁷

2.3. Global Commodity Chains (GCC) and Global Value Chains (GVC) Analyses

GCC/GVC analyses were originated as analytical derivations from World System analysis, which comprised a branch of thought somewhat influenced by dependency theory. Within such initial perspective, the assessment of the functioning of commodity chains played a role as a relevant analytical tool for observing unbalances and other traits in the distribution

5 For more on ISI strategies see Bauman and Franco (2006) and Tavares (1977).

6 Concept originally explored by List (1885).

7 In this regard, for instance, it is worth noting that even in Prebisch’s view, import substitution was not seen as incompatible with trade. In some circumstances, he would defend, industrializing countries might need to export raw materials and commodities (during the industrializing period) in order to be able to import machines and equipment needed. Another aspect of trade-related strategy associated to a dependency theory approach is that of fostering trade among countries with less different levels of economic and technological development. For instance: see the propositions to improve regional trade in Latin America, such as propelled by the United Nations’ Economic Commission for Latin America and the Caribbean (CEPAL) and, also, more generally, among countries of the global South, in the ambit of the United Nations Conference on Trade and Development (UNCTAD) – both organizations that have been headed by Prebisch.

of production, surplus and income generated, etc, throughout the different processing stages of a commodity, from its raw natural form until its final form and consumption. World System theory, however, would not lose sight of assessing a commodity chain as being part of a broader global context, where the chains of several commodities functioned simultaneously, shaping an inter-related global economic dynamics (Hopkins and Wallerstein 1986; Talbot 2004). Drawing from this perspective, it is important to keep in mind that, since such chained commodities' trajectories often occur across national borders, the international framework that regulates trade, then, influences the prospects of such transnational activities (as well as it also ends up being influenced by them, through pressures exerted by powerful economic-political groups or actors and, often, by national states on their behalf).

As time passed, however, the commodity chain analytical framework, which originally had a much more "political economy" approach, was gradually appropriated by business-oriented analysts and researchers. In such move, the framework was progressively striped of its more structural-political contents. Labels such as Global Commodity Chains (GCC) and Global Value Chains (GVC) analyses were assigned to these newer modalities. Still, in spite of a much less evaluative concern on how the functioning of the commodity chains can impact the development or underdevelopment of nations in a broader sense, as highlighted in works such as Gereffi and Korzeniewicz's (1994), such analyses normally comprise the assessment of elements in dimensions such as: input-output structure (that is, a set of products and services linked together in a sequence of value-adding economic activities); territoriality (analysis of the particular structure of production distributed geographically and/or among firms of different sizes); governance structure (for instance, authority and power relationships that influence the way financial, material and human resources are allocated and flow within a chain) and institutional context.

The recommendations, though, in the more recent frameworks of GCC/GVC analyses, would normally tend to focus more on development ("upgrade") from a firm perspective, in the form of attempts of moving up with further appropriation and control of the process (and value) within the commodity chain, rather than addressing broader and fundamental questions from a nations' or a global development angle, in an ampler sense.

3. Assessing the Presence and/or Usefulness of the Trade Perspectives Analyzed Here in Relation to the WTO's Framework

This section provides a brief analysis of the WTO's policy framework in a dialogue with the perspectives seen in the first section as well as elements of the Organizations' discourse, history and functioning.

3.1. The Supremacy of "Comparative Advantages" as an Officially Stated Guiding Perspective

Rather than recognizing that there are (or there may be) different analytical perspectives – with different conclusions – about international trade patterns, trade liberalization and their capacity for promoting (or hindering) economic development, in its formal discourse the WTO explicitly recognizes only the existence of the perspective of "comparative advantages". In fact, the document "Understanding the WTO", prepared by the WTO's Secretariat as a general and thorough explanation about the Organization, labels such perspective as being the economic "common sense" (see: WTO 2007, 13). In a dedicated section of such document – "The case for open trade" – the WTO's Secretariat, using a monoeconomics discourse⁸, highlights:

Economics tells us that we can benefit when these goods and services are traded. Simply put, the principle of "comparative advantage" says that countries prosper first by taking advantage of their assets in order to concentrate on what they can produce best, and then by trading these products for products that other countries produce best.

In other words, liberal trade policies — policies that allow the unrestricted flow of goods and services — sharpen competition, motivate innovation and breed success. They multiply the rewards that result from producing the best products, with the best design, at the best price. (WTO 2007, 14)

(Emphasis added)

⁸ We may observe in the passage that follows that it refers to "economics" as being a single theoretical body and not to a perspective that stems from one among different existing schools of thought. As Fairclough (2000) has highlighted, a prominent trait of the neoliberal discourse – from which the WTO relevantly draws – is an attempt of promoting a structuration of the difference. That is, it makes usage of rhetorical twists in ways that hide that there could be other alternatives.

In order to leave no doubt that the exploration of “comparative advantages” is the basis of the intended functioning of the WTO’s policy framework, the mentioned document even presents a box, referring to David Ricardo himself, explaining the basis of his theory and citing “comparative advantages” as being “arguably the single most powerful insight into economics” (WTO 2007, 14).

Not rarely, such view is also encountered in the introductory parts of legal texts of WTO agreements. For instance, in the official text of the Marrakesh Declaration – agreement resulting from the conclusion of the Uruguay Round of multilateral negotiations, which instituted the WTO – we see:

(...) the establishment of the World Trade Organization (WTO) ushers in a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and *more open multilateral trading system for the benefit and welfare of their peoples*. Ministers express their *determination to resist protectionist pressures of all kinds*. They believe that the trade liberalization and strengthened rules achieved in the Uruguay Round will lead to a progressively more open world-trading environment. Ministers undertake, with immediate effect and until the entry into force of the WTO, not to take any trade measures that would undermine or adversely affect the results of the Uruguay Round negotiations or their implementation. (WTO 1994)

(Emphasis added)

However, in spite of such free trade and comparative advantages advocated discourse, as argued in Cedro and Vieira (2010), Cedro (2008) and Cedro (2011), such rhetoric, which is encountered in the WTO’s explanatory documents and introductory parts of agreements, does not precisely match the reality of the WTO’s operation. I refer here to the concrete outcomes derived from the implementation of the WTO’s policy/regulatory framework. The following sub-sections will try to shed some light on it, while providing a brief link with the other trade perspectives seen in the first section.

3.2. Reality Check: the Fallacy of “Comparative Advantages” as a Foundation of WTO’s Policy Framework

3.2.1. Historical Aspects

In spite of being relatively young in age as an organization, the WTO carries with it at least a six-decade history of institutional “evolution” of the world trading system. Still in the aftermath of World War II, during the Bretton Woods discussions, an International Trade Organization (ITO) was al-

ready envisaged as an intended third leg of the international economic tripod framework for dealing with economic matters. The International Monetary Fund (IMF) would primarily deal with currency and balance of payments issues, the International Bank for Reconstruction and Development (IBRD, currently part of the World Bank Group) was created to focus on mobilizing resources for post-war reconstruction and developmental investment, and the ITO would be responsible for providing a framework for enhancing world trade. It had, however, as it was initially being negotiated – with intense participation of developing countries – a core concern not on free trade itself. Rather, the establishment of trade preferences among participants would be one of the several tools that were being conceived to enable the functioning of a world trading system that would aim at promoting development as its fundamental objective.

In this context, principles such as infant industry and associated tools and mechanisms were being discussed to be part of the new global trading framework that was under negotiation. However, after extensive negotiations, such framework was summarily rejected by the government of the United States. As we can find in works of authors such as Hudec (1975) and Gardener (1969), the following aspects can be enlisted as underlying main reasons for such rejection: (i) the set of developmental mechanisms envisaged to be part of the deal was considered to be an excessive concession in favor of the developing countries and (ii) the new framework, which tried to reduce the already existing unbalance (in terms of usage of political and economic power) in world trade, would affect the super-power's capacity to implement domestic policies that negatively affected other countries (for instance, the large subsidies to their domestic agricultural sector⁹).

Therefore, in the place of a more development-oriented ITO – which did not take off for the fact that the major economic power in the world at the moment would not take part in it –, only the General Agreement on Tariffs and Trade (GATT) was instituted. Far from being a full-bodied organization, the GATT was simply a trade preferences agreement. As economic historian Paulo Roberto de Almeida (2004, 116-7) describes, it comprised elements of, at most, one of the chapters that would have given shape to the framework of the ITO. However, it provided a framework for negotiations of subsequent rounds of trade liberalization, with rules and progressions to be negotiated in

9 Which not only enabled the producers in the United States to counter (in their domestic market) the competition stemming from more efficient countries – in the perspective of “comparative advantages” – but also allowed them to take up a substantive share of world trade with their products, by exporting at subsidized prices, as a recurrent scene which could be observed in subsequent moments and up to today.

stages.

Initially implemented by 23 contracting parties, the GATT and its system evolved along the following decades, including, progressively, new participants and new steps towards the deepening of a framework for trade liberalization (Trebilcock and Howse 2005, 23).

Throughout subsequent decades, there were moments in which developing countries pleaded and fought for more space in the international economic framework for themselves to implement policies in the pursuit of their own development; for instance, with the New International Economic Order (NIEO) movement, that gained momentum in the 1970s.¹⁰ Drawing substantively on a perspective influenced by dependency theory, the NIEO movement demanded, among other things, effective “policy space” for developing countries in the framework of the world trading system, in a way to allow for a reduction of the unbalances that were perceived in its operation. Within such context, the United Nations Conference on Trade and Development (UNCTAD) was established, as a more development-oriented arena, in an attempt to counter the liberalizing agenda of the GATT, which was pointed out as working to the most extent in favor of the already developed countries, disfavoring the developing ones.

Nonetheless, following the fall of the Berlin Wall and the ideological

¹⁰ Already in its introduction, the 1974 Declaration on the Establishment of a New International Economic Order set the tone of the struggle by asserting the: “determination to *work urgently for the establishment of a New International Economic Order* based on equity, sovereign equality, interdependence, common interest and cooperation among all States, irrespective of their economic and social systems *which shall correct inequalities and redress existing injustices, make it possible to eliminate the widening gap between the developed and the developing countries* and ensure steadily accelerating economic and social development and peace and justice for present and future generations, and, to that end, declare: 1. The greatest and most significant achievement during the last decades has been the independence from colonial and alien domination of a large number of peoples and nations which has enabled them to become members of the community of free peoples. Technological progress has also been made in all spheres of economic activities in the last three decades, thus providing a solid potential for improving the well-being of all peoples. However, the remaining vestiges of alien and colonial domination, foreign occupation, racial discrimination, *apartheid* and neo-colonialism in all its forms continue to be among the greatest obstacles to the full emancipation and progress of the developing countries and all the peoples involved. The benefits of technological progress are not shared equitably by all members of the international community. The developing countries, which constitute seventy per cent of the world’s population, account for only thirty per cent of the world’s income. *It has proved impossible to achieve an even and balanced development of the international community under the existing international economic order. The gap between the developed and the developing countries continues to widen* in a system which was established at a time when most of the developing countries did not even exist as independent States and which perpetuates inequality.” (*Emphasis added*) (United Nations General Assembly 1974)

and coercive¹¹ proclamation of the “unabashed *victory of economic and political liberalism*” (*emphasis added*) over all other paths that could be possibly followed (Fukuyama 1989, 3), the GATT system restated its supremacy in terms of power. It trashed out many of the demands related to the “right to development” stemming from the South that had gained momentum with initiatives such as the NIEO and the setting of UNCTAD (Almeida 2004, 116–7), and established a more comprehensive and stricter set of rules that plastered developing countries’ ability to break away from a subaltern position in international trade.

3.2.2. *The Trading System Set by the WTO*

The Uruguay Round of multilateral negotiations on international trading system (1986–94) was, then, concluded. It was in that occasion, as part of the “single-undertaking” (closed package) agreement – which included several elements, ranging from a stricter quasi-judicial enforcement system, to rules on intellectual property protection¹², liberalization of the services sector¹³ and others –, that the WTO (a full-bodied international organization, not just a treaty) was instituted (Pauwelyn 2005, 24-5; WTO 1994). Its mission: “In brief, (...) to ensure that trade flows as smoothly, predictably and freely as possible” (WTO 2009).

Thus, the question is: freer for whom? When we look closely, we observe that the real outcome, as seen in the scenario after the establishment of the WTO and the set of rules that came with it, fell far from what is illustrated in the justifying discourse. In short, we can critically assess the WTO by looking at the following elements. On one hand, developing countries were pushed to make relevant efforts in opening up their markets and abdicate (and setting legal commitments on it) from using tools that not only have been used in the past by developed countries,¹⁴ but are still in use nowadays

11 It is worth to note that, aside from the ideological indoctrination, it was a period when several developing countries were facing economic vulnerabilities. Thus, they needed the support from international financial institutions, which, to a great extent, followed the guidelines set by developed countries. Hence, among the conditionalities attached to the support granted, there often was pressure for countries to engage and accept a deeper and still unbalanced round within the GATT’s forum.

12 Through the “Agreement on Trade-Related Aspects of Intellectual Property Rights” (TRIPS).

13 As framed by means of the “General Agreement on Trade in Services” (GATS).

14 For an in-depth critical account on the history of globalization, check the work “Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism” (Chang 2008). As put by Cerisier (2012): “The first few chapters of Bad Samaritans assess the “official” history of globalization, as narrated by free trade economists and most international institutions (...) Dr Chang

(Chang 2002 and 2008). On the other hand, the discourse of a supposedly already existing openness of developed countries' markets – which often back up their allegations for the developing countries to board into the comparative advantages approach in world trade – hides a double fallacy.

The first element of such fallacy is that the mainstream discourse often neglects to recognize that the said openness (relatively low import tariffs averages) of the developed countries' markets of industrial goods occurs in a scenario in which:

- (a) These countries are already, often, far ahead in technological aspects and with many of their companies well established as market leaders (thus, it is easier to cope with lower import tariffs over their foreign competitors). It is worth to note, though, that such leadership, in not rare cases, was attained along the time, when those same countries, as Chang (2002) highlights, explicitly made usage of infant industry and developmental strategies that they now label as “bad”.
- (b) Not only that, but their current situation of “trade openness” is coupled with a complementary element that further consolidates their leadership, in legal terms, perpetuating competitiveness artificially (as compared to a free market competition). I refer here to the progressive designing and enforcement of intellectual property rules (especially industrial patents), at the international level.¹⁵

The second important element to be considered is that, at the same time, the WTO's policy framework that was established left, by large, still as big exceptions in the regulatory framework of the world trading system, important areas which, at that moment, were – and still are – sensitive to the developed nations. For instance, agriculture and textiles; both sectors in which the developing countries would, in many cases, present a tendency of being more competitive than the developed countries, if those markets were to be really freed (taking away the ultra-high tariff peaks and huge amount of subsidies that are maintained by the North year after year, as in agriculture, for example). It did not happen that way, though.

In fact, what we saw was that precisely in the areas in which the Northern countries were more sensitive, instead of applying the same rules

rejects this fairytale and argues there are several major flaws – and lies – in the official history of globalization”. Chang does so using several exemplary and thoroughly-researched cases.

¹⁵ For instance, see the WTO's TRIPS Agreement, set as the Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco, on 15 April 1994.

for the deepening of “free trade”, specific (i.e. exceptional) agreements were established in texts apart from the main body of the GATT – then, GATT 1994, after the conclusion of the Uruguay Round, which incorporated the original GATT 1947 with its subsequent amendments and provided the general framework for liberalization for the world trade of goods. For instance, the WTO’s “Agreement on Agriculture” and “Agreement on Textiles and Clothing” enabled developed countries to extend over time their possibilities of implementing the very kind of “market distorting” policies that they label as “bad policies” when implemented by developing countries in the other areas (Chang 2002; Chang 2008, 77; Cedro and Vieira 2010).

Just to mention two relevant examples, in the agricultural sector, looking at the scenario after the full implementation of the commitments established by the Uruguay Round: (i) on the amount of trade-distorting domestic subsidies authorized by the WTO’s framework for the United States to apply annually, in comparison to what is allowed to Brazil for the same kind of subsidies; and (ii) highlighting the extremely high import tariff peaks that the European Communities are allowed to maintain even after all the commitments established by the Uruguay Round were fully applied.

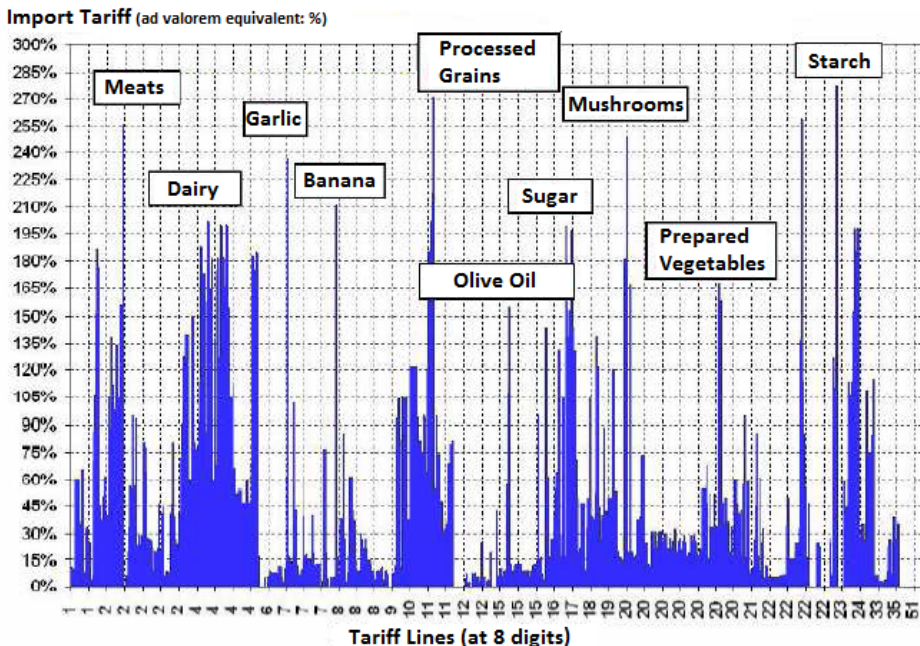
In the first case, as pointed out by Cedro and Vieira (2010, 132-4), what we observe is that, for the “amber box subsidies” – the ones that are considered by the WTO itself as most trade-distorting, and which, by the WTO’s own description, mostly tend to exert negative effects over other countries in the globe when applied – the Organization authorizes the United States to spend up to twenty times (2.094 per cent) the amount authorized to Brazil in terms of the very same category of subsidies (which, in fact, refers to public policies), respectively US\$ 19.1 billion versus US\$ 912 million per year, in absolute values. Comparing to the size of their respective populations directly involved in agricultural activities, this means an average authorization of US\$ 3.350 per person (US), versus US\$ 35 per person (Brazil) per year¹⁶. Thus, it figures as a completely unbalanced outcome, in favor of the Northern economic power, precisely in the area that it is sensitive in relation to letting the market freely operate (without state intervention).

In the second case, the graph below illustrates what is commonly known among negotiators to the WTO in Geneva as being a historical fact: the persistence of extremely high tariff peaks imposed by the European Union in many of the most important agricultural products at which developing countries are usually naturally more competitive (Araujo et al 2005). We may observe, from the graph, that it is not rare to find products to which the Eu-

¹⁶ Respective agricultural populations of 5,7 million (US) and 25,8 million (Brazil), according to data from FAO, as presented by Cedro and Vieira (2010, 132).

European Communities apply import tariffs of over 100 per cent of the value of the imported product, in some cases reaching over 200 per cent (making that blocs' market on those products substantively inaccessible to many developing countries). We can highlight, for instance, products such as: meats, dairy, garlic, banana, olive oil, sugar, mushrooms, prepared vegetables, starch.

Graph 1. Agricultural Import Tariff Structure of the European Communities: distribution following the classification of the international Harmonized System (HS)



Source: Taric 2003 (in Araujo et al 2005)

All this and more¹⁷ occur in a context in which the WTO's frame-

¹⁷ For more on the unbalance of commitments set within the WTO and the international trading system, as well as on the distinct kinds of restrictions imposed by such frameworks, impeding developing nations from pursuing more appropriate development and trade strategies, check the works "Putting Development First: The Importance of Policy Space in the WTO and IFIs" and "The Clash of Globalizations: Essays on the Political Economy of Trade and Development Policy", edited by Kevin Gallagher (Gallagher 2005 and 2013). The former work encompasses a robust collection of essays by contemporary critical scholars in the fields of International Political Economy and trade and development, including Robert Wade, Alice Amsden, Ha-Joon Chang, and others. The latter is a series of essays by Gallagher on several aspects within the same topic drawing on practical cases and dialoguing with the contemporary

work is championed as having provided a movement towards the fulfillment of a said objective of enabling a “*fairer and more open* multilateral trading system” (*emphasis added*)¹⁸. We finish this section, then, recalling Foucault’s (2004) warn about totalitarian discourses that portray one perspective, existing among others, as if it was single and universal: usually, such kind of discourses are used in order to disguise and perpetuate existing domination and exploitation relations.

3.2.3. Analytical Inputs Drawn from “Dependency Theory” and “GCC/GVC”

As we can see here, dependency theory provides us interesting insights for understanding the real functioning of the WTO. The Organization’s policy framework – when we look at the elements discussed in the present text – seems to not only follow a *Realpolitik* path in terms of approach to the international trading system, but also to attempt to consolidate it, legally binding developing countries to accept an unbalanced international division of labor, in which developing countries are relegated to remain in a role, in many cases, of providers of raw materials to the Northern countries’ companies (and, moreover, confined to those commodities that do not directly compete with those that the North also has interest in producing). As Frank (1966, 18) would argue, the conditions of “underdevelopment” of current developing countries do not represent a state of “undevelopment” (as in a linear path, and referring to a situation in which “simply, progress has not reached the South yet”). Rather, the very development paths of the developed North are explained, inseparably, from the recurrent exploitation of colonies (in the past) and a persistence of more subtle ways of coloniality – without direct territorial domination – which, as Chang (2002) has aptly presented, is put into practice nowadays precisely through binding frameworks such as the WTO’s.

Auxiliarily, although also not explicitly reflected or referred in the WTO’s formal framework, the GCC/GVC analyses – provided that the necessary refocusing towards political economy is done – may help to unmask some of the existing misleading arguments that advocate that “freer trade” has been responsible for promoting industrialization in the South and, thus, development, in developing countries. Such kind of analyses can be useful in the sense that they may allow for a better investigation of elements such as: the portions of the generated value that are left in host developing countries when multinational corporations decentralize their production operations

literature.

18 Marrakesh Declaration, from the excerpt previously referred in this text.

while still maintaining the thinking head, design and conception activities, and ultimate recipients of the generated profits in their respective countries of origin; the extent to which the existing import “tariff escalations”¹⁹ in the tariff structures of Northern countries hinder the development of more sophisticated processing stages of the commodity chains within the territory of Southern countries that produce the respective raw material; and other situations.

Hence, they can help to further uncover unbalances that are currently present and permitted by the WTO framework, and which the Organizations’ focus on relations among states and trading zones often blurs the sight from. In that sense, developments such as the one proposed by Blair (2005, 167-8) – who calls for a second generation of commodity chains research for looking at the way chains are articulated within and through the larger social, cultural and political-economic environments in which they operate – might be interesting to follow.

4. Conclusion

As we have seen in this article, in the era of “the end of history”, a free trade power-discourse, justified under the principle of “comparative advantages”, has been championed and repeated as a mantra over and over in an attempt for it to sound true. The WTO, international institution that regulates the world trading system, and which is often regarded as one of the core symbols of such era, instead of adopting in fact the comparative advantages perspective that it portrays as being a central guideline of its ruling, in reality, seems to not only give reason to the dependency theory’s arguments (of a segregation of world trade and international division of labor in favor of the rich nations), but also seems to attempt to legally consolidate it. Therefore, what we observe, as an outcome of the implementation of the WTO’s framework,

¹⁹ “Tariff escalation” is a situation in which a country applies very low (or even zero) import tariffs to raw materials and sets progressively more prohibitive tariffs to products with more value-added within the same commodity or value chain (see: International Coffee Organization 2011). An exemplar case of this, which goes against the free-trade and comparative advantages premises championed by developed countries and by the WTO, is that of soluble coffee. Germany was the leading exporter of soluble (instant) coffee in the world by the end of the 2000s decade, even without being able to cultivate coffee grains within its territory. To a relevant extent, this outcome was related to the fact that, within the tariff structure set by the European Union (of which Germany is part), there was a relevant tariff escalation for coffee-derived products. This allowed Germany to regularly import cheap raw coffee and, at the same time, impeded competitors who would have better comparative advantages for producing and supplying processed soluble (instant) coffee to Europe, such as Brazil, to compete against Germany in the huge European market.

is a mitigation of national sovereignties, which is claimed to be done in favor of a supposedly improved collective freedom for all countries in the system (and their respective populations) – analogously to classical contractualist theorizations. However, what one finds when closely observing is that, due to the unbalance of the WTO's rules, and the different levels of permissions that it gives to the different countries to “distort the markets” (and thus, to go against the principle of simply relying on comparative advantages), some countries end up being in a situation in which they remain more sovereign than others, enabled to practice national public policies that not only work in their favor, but, as developed countries' practices have been seen many times, they even impose heavy burdens over the development prospects of developing countries.

In this context, we saw that, although the WTO's framework does not seem to formally acknowledge or refer to perspectives on trade and development stemming from prisms such as dependency theory or GCC/GVC analyses, engaging into exploring those perspectives, as well as others that could be added, may turn out to prove itself as a valuable tool for enabling one to recognize and differentiate what the WTO presents itself as, in comparison to what its policy framework really ends up representing in practice. Thus, rather than simply taking for granted a naive position, we become more capable of recognizing potentially vested interests and more powered to challenge deep-rooted moneconomics totalitarian discourses, such as the WTO's taken-for-granted argument towards comparative advantages.

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ABSTRACT

This article explores three distinct analytical approaches that offer insights for reflection on the issue of international trade – comparative advantages, dependency theory and GCC/GVC analyses – as a way of providing a critique of the functioning of the World Trade Organization (WTO) and its alleged defense of free trade as an engine for development.

KEYWORDS

Development; WTO; International Political Economy.

Received on March 22, 2014.

Approved on April 13, 2015.