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BOOK REVIEW

FAIR TRADE FOR ALL: HOW TRADE CAN PROMOTE DEVELOPMENT

by Joseph Stiglitz and Andrew Charlton

Oxford University Press, 2005

Reviewed by Maria Vanko*

Both civil society and the international community recognize the importance of global poverty alleviation. From grassroots movements demanding debt relief to international support of UN Millennium Development Goals, a global consensus places the plight of poor countries on its agenda. In 2001, the World Trade Organization (“WTO”) launched the “Doha Round” of trade negotiations (also known as the “Development Round”) aiming to benefit developing countries. However, the Development Round has not delivered practical results for the developing countries. It has done little to address concerns about agricultural subsidies in developed countries, has not prioritized the agendas of developing countries, and has failed to reform the WTO dispute procedures to mitigate power inequalities between developed and developing countries. These disputes led to the collapse of the talks in Cancun, Mexico in 2003, and resulted in both sides walking away from the negotiations without reaching a development consensus.

Joseph Stiglitz and Andrew Charlton recently released a book that aims to bridge the gaps felt by both developed and developing countries. *Fair Trade For All* presents a broad agenda by which trade policies can integrate developing countries into the world market. With the presumption that trade is good for development, Stiglitz and Charlton suggest a carefully managed trade liberalization agenda. They criticize the Washington Consensus’ simple prescription of rapid liberalization and privatization of markets as causing instability and inequality, and instead propose an alternative model that emphasizes fairness. They contend that the assumption that broad market liberalization makes countries better off is based upon nonexistent variables such as full employment, perfect capital and risk markets, and perfect competition that most developing countries lack.

Before examining their proposal, Stiglitz and Charlton remind their readers that developed countries progressed by using a wide range of policy instruments which “[w]ould make their WTO ambassadors blush” in light of today’s negotiations with developing countries. The book explores lessons from Latin America’s import substitution and East Asia’s export oriented strategies, and argues that a uniform model is inappropriate because the benefits of liberalization depend on factors unique to the particular circumstances of individual countries.

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Moreover, the developing world is limited by pervasive market failures that impede the effectiveness of a simple liberalization scheme, such as a lack of credit and insurance markets and an undersupply of public goods.

The authors view fairness as a central tenet of trade negotiations. They propose that the distributive impact of any trade agreement must be assessed in light of any proposals that could have negative effects on development. On the basis of fairness, such proposals must not be placed on the agenda. The authors task the WTO Secretariat with ensuring that such analysis is tailored to the unique circumstances of individual developing countries.

Because developed nations are better positioned than developing countries from the negotiating table to the dispute resolution process, Stiglitz and Charlton urge that this power relationship not be exploitative. *Fair Trade for All* advocates transparency in the negotiating process to ensure fair agreements result. Responding to criticisms that participation in the WTO is voluntary, the authors counter that agreements must be entered into democratically by the developing countries, without fear of

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retaliation such as the withholding of development aid. Moreover, the authors propose that a pro-development trade agenda be limited to poverty reducing issues. While many international problems can be broadly defined to encompass trade-related issues, issues such as intellectual property rights and protection of foreign investors should not be resolved during trade negotiations because developing countries have limited capacity to analyze such additives.

The central trade agenda Stiglitz and Charlton propose in *Fair Trade for All* is simple and straightforward: all WTO members should provide free market access to all goods from developing countries poorer and smaller than themselves. Their proposal opposes traditional reciprocity agreements and requires open access for any country with a smaller GDP and GDP per capita. The proposal is intended to create a well-defined, transparent, and enforceable system of market access using objective criteria, and would result in significant trade opportunities between

developing countries. The proposal is progressive in that it requires very little from the poorest countries and poses no obligation to open markets to countries more developed than itself. This allows developing countries to engage in some degree of protectionism for goods from countries richer than themselves. Developing countries have been reluctant to commit to large reductions in tariffs due to concerns over floods of cheap imports hurting local producers. Instead, the authors' proposal ensures that the largest and richest countries liberalize the most.

In addressing the failure of the 2003 Cancun meeting, *Fair Trade for All* recommends that developed countries eliminate agricultural subsidies to ensure competitiveness for the developing countries' agricultural sectors – currently Organisation for Economic Co-operation and Development expenditures on agri-

cultural subsidies are almost six times the total aid to developing countries. Stiglitz and Charlton approach agricultural liberalization to favor the least developed countries by recommending a rapid reduction on tariffs for goods produced and consumed in developing countries, and a slower reduction on subsidies for those goods consumed in the developing world. Accordingly, they propose the WTO focus on liberalizing the commodities in which price increases have had the largest positive effects on producers and the smallest effects on consumers.

Additionally, the authors propose that the WTO enforce environmental policies, pointing to the *Shrimp-Turtle* case in which the United States placed trade restrictions upon imports of shrimp captured by practices harming migratory turtles. In noting that the WTO Appellate Body has recognized the right of trade action to protect the environment, the authors propose that where multilateral environmental agreements contain the right to use trade policy to enforce the agreement, countries should use the WTO as a

tool of enforcement.

Overall, *Fair Trade for All* succeeds in presenting a simple agenda for developing countries to ensure benefits in the trade negotiation process. Implicit in the book is that the developed world must make accommodations to mitigate the entrenched power asymmetries in the WTO to ensure fairness and positive outcomes in trade. *Fair Trade for All* advocates that developing countries utilize a precautionary approach to liberalization and discourages the use of the WTO negotiation process as a method to pressure developing countries to adopt policies and programs that may not result in direct gains for the developing world. This book is an excellent tool for those who desire policy prescriptions with empirical evidence to pursue an agenda for fairer trade. 🌐

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