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Campaign 2006  
Business  
& Lobbying  
The Executive  
Under the Dome

COMMENT

Editorials  
Letters  
Op-Eds  
Dick Morris

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HAVE IT BOTH  
WAYS**

Albert Eisele  
John Fortier  
Andrew Glass  
Ben Goddard  
David Keene  
Josh Marshall  
Lynn Sweet  
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**POLLSTERS:**  
David Hill  
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FEATURES

Capital Living  
Hillscape  
Social Scene  
Capitol  
Ambitions  
Uncommon Lives  
Restaurant  
Review  
Book Reviews

CLASSIFIEDS

Employment  
For Rent  
Employer  
Spotlight

DECEMBER 14, 2005

## OP-ED

### Let developing countries grow the same way that we did

By Kevin Gallagher

Yesterday, the world's trade ministers began meeting in Hong Kong to make a final attempt to salvage world trade talks. For many poorer nations, no deal will be better than the bad deal on the table.

Disgruntled over the effects of the last series of global trade negotiations that ended in 1995, poorer countries entered the current World Trade Organization (WTO) talks on the condition that strengthening developing economies would be central this time around.

The United Nations Development Program estimates that the annual gains from the previous WTO negotiations were approximately \$200 billion. Seventy percent of those gains went to the world's richer countries, and benefits to developing nations weren't evenly distributed. Indeed, the 48 least developed countries became worse off by \$600 million per year. Sub-Saharan Africa became worse off by \$1.2 billion. To make up for these asymmetries, the current round, launched in Qatar in 2001, was dubbed the Doha Development Round.

New estimates of Doha's economic impacts are again strikingly small and skewed toward developed countries. According to the World Bank, in a "likely Doha scenario" of reforms, developing-country gains would be \$16 billion; that's less than two-tenths of 1 percent of developing-country gross domestic product, or less than a penny a day per capita. What's more, more than half the \$16 billion would go to just a handful of developing countries (Brazil getting 25 percent).

In contrast, the developed world stands to reap 83 percent of the total benefit from the changes negotiators aim to bring about in Hong Kong.

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The deal on the table will do little to help the world's poor. According to the World Bank, the Hong Kong deal may only lift 0.2 percent of the close to 3 billion people around the world who live below the \$2-per-day poverty line.

Meanwhile, if rich-country negotiators succeed at their goals, there will also be considerable costs. Many of their proposals in agriculture, services, intellectual-property and nonagricultural market access will constrain the ability of poor nations to deploy effective development strategies.

For instance, the United States is pushing for developing-country industrial tariff arrangements that will make it difficult for nations to mimic the development success stories of the 20th century such as South Korea and Taiwan (and the United Kingdom, the United States and Europe in previous centuries). They integrated themselves with the world economy through a mix of markets, tariffs, subsidies and the strategic use of foreign investment.

According to the United Nations, the tariff cuts proposed by the United States and others could cost the developing countries up to \$62 billion in lost tariff revenue. Developing countries rely on tariff revenue for approximately 20 percent of all government revenue — and therefore spending on development.

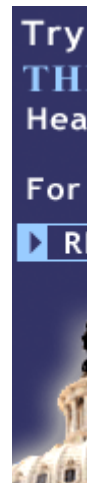
Today's poorer nations have the right to that same opportunity. Instead, they see the developed world's proposals as "do as we say, not as we did."

These countries aren't against trade. They're against trade rules on developed-country terms alone. Indeed, Brazil, Argentina and other countries in Latin American nations are part of Mercosur, a regional free-trade zone that covers \$1 trillion in economic activity. China is signing deals all over the world.

For these talks to be a success, the United States must put development concerns ahead of its own short-term special interests. In doing so, we need not rest on moral sentiments alone as a rationale for providing the developing world with the policy space to grow their economies.

It's in the U.S. economic interest to help create conditions for growth in poorer nations. In 2004, three-quarters of all exports from the United States went to countries outside Japan and Europe. When poorer-country economies don't grow, they can put a drag on our economy.

Gallagher, a professor at Boston University, is a Foreign Policy in Focus scholar and editor of *Putting Development First: The*



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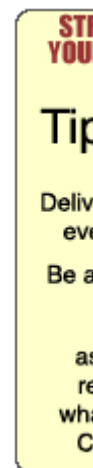
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Importance of Policy Space in the WTO (Zed Books, 2005).



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