Chapter 1

Introduction
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Chapter 1

Introduction

“The crisis through which international relations and the world economy are now passing presents great dangers, and they appear to be growing more serious. We believe that the gap which separates rich and poor countries — a gap so wide that at the extremes people seem to live in different worlds — has not been sufficiently recognized as a major factor in this crisis. It is a great contradiction of our age that these disparities exist — and are in some respects widening just when human society is beginning to have a clearer perception of how it is interrelated and of how North and South depend on each other in a single world economy. Yet all the efforts of international organizations and the meetings of the major powers have not been able to give hope to developing countries of escaping from poverty, or to reshape and revive the international economy to make it more responsive to the needs of both developing and industrialized countries. The dialogue between North and South will not by itself solve all the world’s current problems, many of which are political rather than economic; but we are satisfied that the world community can have no real stability until it faces up to this basic challenge”.

These are the opening words of the Report of the Independent Commission on International Development Issues, chaired by Willy Brandt (the former Chancellor of West Germany) which was released in 1980. The Report had dealt with the problem of North-South Divide in a comprehensive manner and had given recommendations about the ways to bridge the gap.

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Two decades after the publication of the Report, James B Quilligan, who was the Director of the Brandt Commission Research 21 forum, has given an update on the Brandt Report in which he says:

“Two decades later, the international community has not responded to these proposals in any meaningful way. Although the Brandt Reports were widely read and discussed, developed nations have focused more on their own interests. As documented by the United Nations Development Program, the World Bank, the International Monetary Fund, and other agencies, the economic disparities outlined in the Brandt Reports have widened significantly since 1980”.

Following are some of the points highlighted by James Quilligan to show that the work mandated by the Brandt Report remains undone.

- Deprived of increases in global food supplies and local agricultural production to end starvation and malnutrition, the number of people suffering from hunger in developing nations has risen from 500-600 million to 1 billion people.

- For want of a comprehensive program for sanitation, clean water, health care, housing, and education in poor nations, the incidence of people living in poverty has multiplied from 800 million to 1.8 billion persons.

- Regardless of the official international assistance standard of 0.7% GNP, aid to developing nations has slumped from .35% to .21% of GNP.

- Having no international agreement to reduce the difficult loan payments owed to developed nations, the debt of developing countries has surged from $700 billion to nearly $3 trillion.

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• Missing out on vast possibilities for international peace and development through sharing with poor nations the benefits of the information revolution, 90% of technology ownership and use remains in developed nations, creating a global ‘digital divide’.

• In lieu of a responsible commitment to raise the income and quality of life of people in developing nations, corporations invest and produce mainly where wages, taxes, trade and financial regulations, and environmental safeguards are the lowest.

• Instead of promoting accessible, balanced exports of goods and resources between rich and poor nations to build cooperation and enlarge international markets, trade has been hampered by local subsidies and protectionist barriers, driving down the export prices of developing nations.

• Rather than making global economic rules and institutions equitable for every nation, restoring confidence and trust throughout the world, money and finance remain unregulated at the global level, resulting in currency instability, recession, and financial risk in developing nations.

• Short of a consensus to link all of these issues and coordinate world economic development objectives through effective high-level discussion, global negotiations among heads of state from developed and developing nations have not occurred since 1981.

Failure to address these needs is a lost opportunity for everyone in the world. Focused on competition and the ‘bottom line’, we lose sight of the benefits of mutual advantage and cooperation. As the Brandt Reports remind us, prosperity in the South can lead to prosperity in the North; but economic trouble in the South can wreak havoc in the North as well.”

3 Ibid. Emphasis in original.
These observations by James Quilligan sum up the North-South Divide. The Brandt Report of 1980 and its update of 2002 and several other statistics indicate that not much has changed for the developing countries in these two decades despite the tremendous progress that has taken place in the field of technology and capital. These findings make a few things quite clear:

- The North-South Divide has widened and assumed serious proportions.

- The problems between the North and the South are more political rather than economic in nature.

- The global economic environment is not conducive for the upliftment of the developing countries.

- Substantive efforts have not been made by the international community to reshape the global economy so that it is conducive for the development of the South.

- In today’s globalized world the forces of globalization have the capacity to transmit not only the benefits but also the disasters. Problems in the South could have repercussions on the North as we live in an interconnected world.

Several other statistics point in the same direction as the Brandt Equation. World Bank’s Global Statistics says that 22.4% and 43% of the population of the developing world lives on less than $1.25 and $2 a day.\(^4\) This means close to half the population in the developing world lives on less than $2 a day.

The Human Development Report (HDR) measures poverty in more than one dimension. It computes the Human Development Index (HDI) for each country on the basis of four indicators – life expectancy at birth, mean years of schooling, expected years of schooling and Gross National Income (GNI) per capita.

\(^4\)www.povertydata.worldbank.org
Following is the data for the three indicators for developed countries, developing countries and the least developed countries (LDCs).

<table>
<thead>
<tr>
<th></th>
<th>Life Expectancy at Birth (in years)</th>
<th>Mean Yrs of Schooling</th>
<th>Expected Yrs of Schooling</th>
<th>GNI Per capita (PPP 2008 $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed Countries</td>
<td>80.15</td>
<td>10.7</td>
<td>14.9</td>
<td>39724</td>
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<tr>
<td>Developing Countries</td>
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<td>6.52</td>
<td>11.83</td>
<td>6973</td>
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<tr>
<td>Least Developed Countries</td>
<td>57.7</td>
<td>3.7</td>
<td>8</td>
<td>1393</td>
</tr>
</tbody>
</table>

Source: Human Development Report 2010

The inequality between the developed and the developing and the least developed countries is quite discernable from this data.

In this era of globalization, in which the global forces are capable of and are supposed to cause the free flow of technology and capital, the two very important ingredients of the recipe for the upliftment of masses, appear to have failed miserably in this direction, as the studies point out. So, where did the recipe go wrong? Noam Chomsky in his interview with Toni Gabric which appeared in the Croatian Feral Tribune says: “The term "globalization" has been appropriated by the powerful to refer to a specific form of international economic integration, one based on investor rights, with the interests of people incidental.”

Globalization came to be equated with ‘Washington Consensus’ imposed by the World Bank and the International Monetary Fund (IMF) upon the developing countries, irrespective of whether they were in a position to handle such across-the-board liberalization, privatization and deregulation. The main points of neo-liberal globalization include, according to Elizabeth Martinez and Arnoldo Garcia, the rule of the market,

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5 www.stwr.org/globalization/key-facts.
6 The term ‘Washington Consensus’ is used to denote the policies formulated by the Washington based institutions, the World Bank and IMF, as a response to the problems of Latin America throughout the 1980’s and 1990’s.
privatization, de-regulation and cutting of public expenditure. Privatization involves the selling of state-owned enterprises to private investors, freeing them from any regulations imposed by the government, oblivious of the damage it might cause. The reduction in public spending leaves everything to individual responsibility thereby forcing the poor to take care of their education, health and social security.\textsuperscript{7}

Going by the agnostic view\textsuperscript{8} of the linkages between globalization and poverty, the phenomena of globalization by itself does not seem to have a pernicious effect on inequality between the North and the South, rather it is the way governments manage it. We could extrapolate that the power of globalization to lessen or exacerbate the inequality is dependent on the way national governments collectively manage globalization.

Today it is the World Trade Organization (WTO) that makes rules that governs world trade. Its jurisdiction is expanding day by day, with the inclusion of issues that are unrelated to trade. It already has rules in place to govern trade in goods, services and intellectual property (IP). Inclusion of issues like investment, competition policy, government procurement, trade facilitation, labour and environment standards are already on the anvil. The establishment of the WTO sounded the death knell for independent policy making for the developing countries, as the signatories to the WTO have to abide by its rules when it comes to formulation of policies relating to trade in goods, services, and trade related aspects of intellectual property. The rules of WTO have severely curtailed the power of the developing countries to make laws that suit their developmental goals.

Trade has tremendous capacity to bring about the economic growth of the developing countries, provided trade policies are crafted keeping in mind the special situation and needs of the developing countries. But the WTO seems to be approaching trade as an end in itself rather than a means to an end. This has resulted in a situation where there is concentration of wealth in the hands of a few. The gap

\textsuperscript{7} \url{www.stwr.org/globalization/key-facts}.

between the rich and the poor is increasing not just between nations but also within nations. The gains from increased levels of trade have not gone to the poor.

Going back to what Noam Chomsky said, these agreements which intend to bring about economic integration are based on investor rights, and the interests of the people are incidental. The investors primarily belong to the developed countries. In fact the WTO agreements were marketed to the developing countries on the plank of the “trickle down” effect, which meant that the growth brought about by the opening up of the markets would trickle down to those at the bottom of the ladder. What the developing countries require is a ‘bottom up’ and not a ‘top down’ approach. It can be inferred that these rules were not made keeping in mind the amelioration of the poor and that their interests are incidental. The results are clearly showing. The brand of globalization as espoused by the WTO may have been successful in halving down the number of people living on less than $1.25 according to the World Bank data (if $1.25 a day can be accepted as a decent level of income to support a family) but this is just ‘trickle down’ effect. The improvements in the condition of developing countries, if any, are only in trickles. There are glaring differences in the standard of living in the North and South.

The voices of protests against the WTO policies are heard not just from the Global South but also from the North. The history of the WTO is short but one fraught with tremendous consequences. The South has a lot of discontent about the way they were tricked into signing the Agreements of the WTO. It took them some time to realize that the WTO agreements are inequitable, heavily tilted in favour of the North. The countries of the South have tried ever since to correct the imbalances of the agreements but to no avail. There is a huge democratic deficit in the functioning of the WTO.

A study of the linkages between WTO and the North-South Divide will include two arguments. One, the WTO was formed with the idea of advancing the agenda of the corporate sector based in the North. Two, even where benefits were supposed to accrue to the developing countries from regulation of trade, they have been shortchanged.
The HDR 2010 says that economic growth in the recent years has been unequal and large gaps remain in human development. The objective of this research is to explore the linkages between globalization as espoused by WTO and the North-South Divide. The focus of the research is on the impact of the policies of the WTO on the North-South Divide.

1. Relevance and Importance of the Topic

Globalization is the most discussed issue of the recent times. Neo-liberal globalization, as espoused by international institutions like the IMF, World Bank and the WTO has had a huge impact on the lives of people all over the world. The consequences are far reaching in the case of developing countries which have a huge population of vulnerable people. Of all the international rule-making bodies, the WTO makes policies that have far-reaching impact on people and economies. The developed countries are pressing for the inclusion of new issues like investment, competition policy, government procurement, trade facilitation, trade and environment and trade and labour. Many of these issues are not related to trade in any way but the developed countries have been trying to bring them on to the negotiating table by prefixing the word ‘trade’ to them. In fact many of these issues are protectionist in nature. Two things can be deduced from these facts. One, the developed countries will push for removal of all barriers where they find it convenient for them. Two, they will insist on the inclusion of provisions that will enable them to raise barriers where they require them. This reveals another facet of globalization as it is being followed today – and this is the fact that globalization is being ‘managed’ to advance the interests of developed countries. This has an impact on the flow of wealth. The topic is therefore relevant in seeking answers to questions about the huge developmental gap between the North and the South.

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10 Vulnerable people are defined as those who have a significant probability of being poor next year. http://siteresources.worldbank.org
It would be relevant to discuss the history of the concept of globalization, dimensions of globalization and the dimensions of North-South Divide in this context.

1.1 History of Globalization

Looking back, globalization does not seem like something that appeared all of a sudden. Free flow of ideas, knowledge, technology, goods and people has happened unabated for several centuries. Dennis O’ Flynn and Arturo Giraldez say that the origins of globalization date back to times when people of different land masses began interaction with each other. Giving an example of those interactions, they further say that it was only after the discovery of the Americas by Columbus that the building blocks of its society namely, cattle, horses, wheat and sugar were introduced into it. Spice trade between South Asia and Europe and trade via the famous Silk Route are well known. During this phase of globalization the South was the hub of global trade and there was flow of wealth from the North to the South.

The next phase of globalization began with the rise of maritime powers like the British, the Dutch, the Spaniards and the Portuguese. With their naval power they set on to colonise the world and were successful in their venture. In this period trade took precedence over all other forms of exchange. This was followed by the rise of British and Dutch East India Companies which are considered as the first multi-national corporations (MNCs). The industrial revolution that took place in Europe in the eighteenth century changed the face of the whole world. Free flow of technology from Europe to US played a major role in the rise of the US as a superpower (although countries of the South never came to benefit from it on the scale of Europe or North America).

The word globalization had not been coined, nevertheless it existed. This process received a setback during the interwar period. All nations of the world became highly protectionist and closed their borders to any sort of exchange. After the end

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of the Second World War it was felt that a framework for world finance and trade should be created so as to provide stable financial conditions and avoid the protectionist tendencies that were held responsible for the wars. As a result the World Bank and IMF came into being. Originally, there was a plan to form an International Trade Organization (ITO) for regulation of world trade. But the ITO never saw the light of day as its charter was not approved by the US Congress. The General Agreement on Tariffs and Trade 1947 (GATT), became the de facto multilateral trade organization although it was a provisional agreement which was supposed to be merged with the ITO. After seven rounds of trade negotiations under the auspices of GATT, the developed countries came to a decision that GATT mandate should be enlarged to include trade in agriculture, services and intellectual property rights. This led to the Uruguay Round of negotiations which went on for eight years from 1986 to 1994, after the conclusion of which the WTO was born. Fifteen years after the birth of WTO, trade negotiations have come to a standstill over the Doha Round impasse.

1.2 Dimensions of Globalization

In the past few decades no other term has been used as frequently as globalization. Any discussion pertaining to the topics of economy, finance, poverty, inequality, sustainable development, environment and development will not be complete without involving the issue of globalization. Dennis O’ Flynn and Arturo Giraldez point out to the fact that globalization is a most “ubiquitous” term. Globalization is an ideology, a process, a strategy, and a phenomenon at the same time. It is defined as a free flow of capital, ideas, goods and people across the borders. Advancement in communication and technology has expedited this process.

Globalization is a multidimensional concept. It is political, economic, social and cultural. While political globalization is less talked about, it is cultural, and more often economic globalization that is much talked about. While political and cultural globalization do have huge impact upon the lives of people, it is economic

12 Ibid., p. 365.
globalization whose impact is more visible. There is a general feeling that economic globalization has a greater capacity to benefit or disrupt the lives of people. Hence globalization has become synonymous with open markets, economic integration, liberalization, privatization and deregulation. It could be likened to “user interface”. It would be worthwhile to know about the various dimensions of globalization.

a) Political Globalization

Political globalization is understood as the increase in the power and influence wielded by international organizations on nation-states. Examples of such organizations are United Nations Organization (UN) and its specialized agencies, the IMF, World Bank and the WTO. While these organizations came into being as a result of concerted action by the national governments, there are other organizations, formed by the civil society, which also exert considerable influence on the governments.

These international organizations do not always erode or pose a threat to national sovereignty. Organizations like the UN and its specialized agencies and several NGOs like the Oxfam, Amnesty International, CARE, CRY, Greenpeace, WWF, Red Cross and Doctors Without Borders supplement and assist a national government’s efforts to increase the welfare of the people.

The Washington Consensus, as it came to be promoted by the IMF, meant macroeconomic stabilization, opening markets for trade and investment and expansion of market forces within the domestic economy. These policies were formulated, keeping the Latin American countries in mind, where the government had allegedly mismanaged the economy by excessive intervention. It was deemed that the policies were applicable to the whole of the developing world. This gave rise to the structural adjustment policies and loan conditionalities which led to weakening of government power. The structural adjustment policies of the IMF have been responsible for financial crisis in countries where they were implemented.
WTO is yet another organization which has been responsible for the weakening of the nation state. WTO requires the member-nations to modify their trade laws so that they are in conformance with its rules. These rules have far reaching consequences as their repercussions go beyond trade and have an impact on the developmental aspects as well. They curb the powers of the government to make policies which are suited to their needs and to the particular situation that their economy is in.

Political globalization may not phase out the nation state; it can nevertheless come to wield significant influence over the way nation states function. The existence of global institutions can create problems when a few countries become dominant and start imposing their ideologies on others or pursue their agenda. Political globalization therefore has stronger and longer term consequences than economic globalization.

b) Cultural Globalization

Cultural globalization is subtle when compared to political and economic globalization. Thomas Freidman has pointed out that “Globalisation is like a golden straight jacket in which economic questions take precedence over all other subjects”.13 Not much attention has been paid to cultural aspects of globalization by the governments, though a lot has been written and spoken by individuals and civil society groups.

An important aspect of cultural globalization is the homogenization of culture which might result in loss of cultural identity and destruction of livelihoods. Globalization has the propensity to cause spread of those cultures whose goods are tradable. In this case it is spread of American culture the world over because American food, movies and music have a worldwide reach and marketing muscle. Hence American culture has become the dominant culture so much so that cultural globalization is also referred to as Americanization. George Ritzer coined the term Mc Donaldization

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13 www.globalization101.org/a-clash-of-civilizations
referring to the McDonald chain which has 31000 restaurants worldwide.\textsuperscript{14} There is lot of resentment to cultural globalization as many people don’t like their culture being eroded away as a result of onslaught of some other culture. One of the causes of Islamic terrorism is attributed to cultural globalization. Cultural globalization could lead to disappearance of several art forms, customs, traditions which are not tradable.

c) Economic Globalization

Economic globalization is the most visible form of globalization. It is characterised by increased economic integration through free flow of goods, services and capital and people across borders. This is not a new phenomenon as goods trade between nations has been taking place since time immemorial. This has been interspersed with phases when there were absolutely no restrictions to trade whatsoever and with instances when there was no trade at all between nations. The current phase has assumed so much importance because of the magnitude of the transactions and the number of people affected by it. The advances in communications technology and transport have been responsible for this change. In earlier times it was a few MNCs that used to carry on trade in a particular product. Today there are trans-national corporations (TNCs) that are involved in manufacturing of consumer goods, capital goods and service products, all at the same time. This could lead to the concentration of wealth and power in the hands of few. Economic globalization is thus an uneven process in which the benefits and the costs are distributed unevenly. This is the sort of globalization that has been promoted by institutions like IMF, World Bank and WTO. This is exactly the sort of integration that has led to the exacerbation of the already existing North-South Divide.

1.3 The North-South Divide

The North-South Divide could be defined as the socio-economic and political divide that exists between the developed countries of the North and the developing

\textsuperscript{14} \url{www.globalization101.org/the-influence-of-us-corporations-on-local-mores}
countries of the South. Of the various dimensions of the North-South Divide the problems that exist in areas of trade, debt and technology appear to be very important in the context of globalization. Before exploring the problem areas it is essential to ascertain the factors that brought about this divide.

**a) Colonial History**

To understand the North-South Divide, it is important that we have a look at theories of colonialism and imperialism. Almost all the countries that are now known as the South or developing countries, have been, at some point of time in history, victims of colonialism or imperialism. While both colonialism and imperialism meant economic exploitation of one country by another, colonialism was a step ahead which means it involved both economic exploitation and political dominance for the purpose of economic exploitation.\(^\text{15}\)

In the pre-capitalist period, imperialism involved extraction of tributes and the control of trade routes like the Spanish and Portuguese conquest of Latin America.\(^\text{16}\) The colonies became a place where the surplus goods could be sold, savings could be invested and raw materials could be obtained at a very low price.\(^\text{17}\)

The colonies were forced to become the suppliers of raw materials, cheap labour and agricultural commodities and this led to drain of capital from colonies. In the course the indigenous economic system was destroyed. Rosa Luxemburg, as cited by B C Smith, opines that colonialism represented capitalism’s need for the destruction of the ‘natural economy’. By natural economy, she means the social organizations of peasant communities in which there was no demand for foreign goods nor was there any surplus production. This system was the exact opposite of the requirements of capitalists and hence had to be annihilated. Besides, there was a requirement for destruction of any sort of competition in the local markets and this was done by


\(^{16}\) Ibid., p. 35.

\(^{17}\) Ibid., p.38.
eradicating alternative sources of supply so that markets could be monopolized by the imperial powers.\textsuperscript{18}

The classic example of an economy destroyed by colonialism is undoubtedly the Indian economy. A vibrant economy before and at the time of colonization, it was bled to death by the time the British left India. The booming Indian textile industry was destroyed in a systematic way by the British to support their domestic textile industry. India became a supplier of raw material at cheap rates to the British textile industry and its markets were flooded with British textiles.

The British created an artificial landed aristocracy for the purpose of revenue collection and this led to the impoverishment of the Indian farmers. The Indian farmers were forced to grow crops that were required by the British. The forced cultivation of indigo on their lands is an example in this direction. British rule changed the face of Indian agriculture. This pattern was replicated in other colonies as well. B C Smith, speaking on the effects of colonialism says:

“Two hundred years of British rule in India had left over 80 \% of the people illiterate, a record repeated throughout Asia and Africa. Seventy five years of British rule in West Africa left one fever hospital for 30 million Nigerians, a ratio of doctors to inhabitants of 1: 60 0000, and only half the children of one province surviving beyond their fifth year”.\textsuperscript{19}

The following facts can be discerned from the study of theories of colonialism and imperialism:

- The developing countries were subjected to trade relationship in which they were made to produce raw materials, agricultural commodities and supply cheap labour required by the developed country’s manufacturing sector.
- This arrangement destroyed the manufacturing industries of the developing countries as they had become exporters of raw materials and importers of finished products.

\textsuperscript{18} Ibid., p.40.
\textsuperscript{19} Ibid., p. 48.
• This did not happen because of the incompetency of the industries but because of a systematic execution of a plan to strengthen the infant industries of the developed countries (e.g. Textiles industry).
• The same pattern of economic exploitation is prevalent even today.

b) Dependency Theories

The dependency theories were formulated to provide an explanation to the continuing under development of the colonies. The dependency theorists were of the opinion that the peripheral or satellite states were still backward because of a state of dependence on the developed economies. S D Muni quotes Santos’ definition of dependency in his article “Dependency Theories and Development Dilemmas in Third World”. The definition reads:

“We can now define very clearly what is meant by dependence. In the first place dependence is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. The relationship of interdependence between the two or more economies or between economies and the world trading system becomes a dependent relationship when some countries can expand through self impulsions, while others, being in a dependent position, can only expand as a reflection of the expansion of the dominant countries which may have positive or negative effects on their immediate development. In either case the basic situation of dependency causes these countries to be both backward and exploited”.

The dependency theory had two phases; the first phase of dependency was seen as arising from the dependence of poor countries on a small number of primary products for export earnings. The fortunes of their economy depended upon the demand and price for those commodities. The newly independent countries, which had been conditioned during the colonial period to produce and export raw materials

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required by their colonizers, continued to export raw materials for their export earnings. Diversification of the economy proved to be a difficult task for them.

Phase two of dependency theory was formulated in response to the failure of the import substitution strategies advanced by the Economic Commission for Latin America. Import substitution had given rise to a new kind of dependency. It had resulted in the birth of a manufacturing sector that was dependent on the Centre for capital, technology as well as the market for goods produced.  

The sixties saw a new division of international labour in which the developed countries produced and exported capital goods and the underdeveloped countries produced consumer goods with foreign capital. They incurred debts for the purchase of machinery which further exacerbated their problems as they grappled with indebtedness, imbalance of payments, inflation and increase in the power of the metropolitan capital. 

It is opined that in the second stage of dependency, income distribution became more unequal and there was an emergence of new dimension of inequality, between that of rural and urban areas. There was growth of slums on the fringes of urban areas as people displaced from lands could not find jobs in the industries which were capital rather than labour industries. This phase failed to integrate people into the modern economy and instead gave rise to new disparities as people were left without ‘jobs, education, political influence, security and shelter’. 

Under-development in this phase, it was felt, was due to lack of availability of the surplus for reinvestment as there was transfer of capital from the Periphery to the Centre. The flow of capital from the Periphery to the Centre is termed as ‘unequal exchange’ by some dependency theorists rather than deterioration of terms of trade as lower wages in the Periphery enable surplus to be siphoned off to the Centre.

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21 Smith, n.15, p. 145.
22 Ibid., p. 145.
23 Ibid., pp. 145-146.
24 Ibid., p. 148.
The Peripheral States were facing an acute shortage of capital and hence they were not capable of building a manufacturing sector of their own. As a consequence they had to depend upon the ‘Centre’ for investment. There was a transfer of resources from the Peripheries to the Centre in the form of profit and license and management fees. The Peripheries did not get any benefit worth speaking of. It was also felt that the state had become subservient to the MNCs and had a role to play in the perpetuation of dependency. The earnings of the manufacturing sector were dependent on the demand for its goods in the Centre. Therefore it prospered while the demand was high and experienced a slump when demand was low.

Dependency may not be the only cause of underdevelopment; nevertheless the observations of the dependency theorists have relevance even today. The developing countries are still dependent on a few products for their export earnings. Their fortunes depend upon the demand for these goods in the developed countries. Their manufacturing sector mostly comprises of MNCs and the problems associated with foreign direct investment (FDI) such as ‘unequal exchange’ in the form of profit, license and management fee continue to happen. The developing countries cannot hope to benefit from FDI as they are prohibited from imposing any sort of restriction on the operation and management of trans-national and multi-national corporations. The conditions seem to have worsened from the times of dependency theories.

c) Dimensions of North-South Divide

The developing countries which underwent exploitation under colonialism and imperialism and continued to be dependent on the developed countries even after independence, are now part of agreements which are heavily tilted in favour of the developed countries. This shows that no effort has been made to bridge the gap that has been caused by the exploitation of underdeveloped countries by the developed

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25 Terms like Periphery and Centre and Metropolitan and Satellite economy were coined to denote the developed economies and the underdeveloped or developing economies that were dependent on the former for their developmental needs.

26 Narain, ed., n.20, p. 86.
ones. For the purpose of this research, we would be looking at the areas of trade, technology and the problem of debt as it is felt that the divide in these areas has given rise to host of other problems like poverty, unemployment, financial crises and balance of payment difficulties for the developing countries.

**Trade**

Trade is a very important vehicle for the development of any economy. Throughout their history the countries of the North have followed trade policies which were conducive to the development of their domestic industry. This development has been achieved at the expense of the countries of the South, denying them the opportunities to develop.

The South has been experiencing deterioration in their terms of trade for the past several years. The main reason is their dependence on primary products for export earnings. This was caused by the colonial rule during which the colonies were forced to produce commodities that was required by their colonial masters for their manufacturing industries. This system continued even after they achieved independence. While the prices of manufactures have risen over a period of time, the prices of raw materials have continued to fall. Since the Third World countries continue to depend on raw materials for their export earnings they have to produce more. When several countries producing the same commodities produce more, there is a glut in the market, resulting in fall in prices. In the absence of any regulatory mechanism for commodities trade, the cultivators of primary products in developing countries are suffering huge losses as freely negotiated international trade pricing result in the transfer of money from the rich to the poor. Martin Khor in the illustration of the case of coffee growers in his book, reproduces a study by Oxfam on the stages and prices on the value chain. The study says that a farmer in Uganda receives 14 US cents for a kilo of green beans which passes to the roaster factories through traders at $1.64 per kilo and ends up in the UK supermarket shelf as soluble coffee at $26.40 a kilo which is 7000% higher than the price paid to the farmer.  

This demonstrates the uneven gains to the producers of the developing countries whose products are at the lower end of the supply chain.

According to the Trade and Development Report 2008 (TDR), during most of the twentieth century the developing countries who mainly exported raw materials and imported manufactures have experienced deterioration in their terms of trade due to declining trends in the price of the primary products, in comparison with price of manufactures which they imported from the developed countries. Only exporters of oil and mining products gained from improved terms of trade equivalent to 7.5 and 4 percentage points of Gross Domestic Product (GDP) respectively. But it has been found that these gains have been offset by the increase in the profit remittances of the TNCs involved in the exploitation of these resources.28

Apart from the decline in the terms of trade, the South has been facing trade rules or conditions that have always been detrimental to their interests. During the colonial and imperial period, it was the colonisers who decided what and how the colonies should be trading. The impact of British policy on destruction of Indian textiles industries as discussed in the previous section is one example. Even today farmers in several developing countries are growing cash crops for export instead of growing food crops for its population.

The international regime for trade, the GATT was established to further the interests of the developed countries. The Third World countries were still under the colonial rule and hence were represented by their colonisers. The interests of the colonies were seldom taken care of. The Principal Supplier rule which was the cornerstone of GATT negotiations ensured that the developing countries did not have any say in the tariff negotiations.29 GATT was a forum where only the developed countries negotiated tariff concessions on a reciprocal basis.

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29 Rorden Wilkinson and James Scott, “Developing Country Participation in GATT: A Reassessment”, World Trade Review, Vol.7,2008, p. 486. Prof. Wilkinson was kind enough to clarify this point through email.
GATT’s successor, the WTO has severely curbed the powers of the developing nations to formulate trade policies in accordance with their needs. Besides, the rules are heavily tilted in favour of the developed countries.

The prevailing trade agreements do not augur well for the developing countries as they are resulting in the deterioration of their terms of trade leading to difficulties in the balance of payment situation, to rectify which, the developing countries incur debt. Export earnings are diverted towards debt servicing instead of developmental activities like building industries, strengthening infrastructure and improving the quality of human resource.

**Problem of Debt**

The unfavourable terms of trade leaves the Third World countries with no other option but to go for debt because they need money to pay for their imports. The debt servicing is a heavy burden for them and developing countries have been paying heavy interest rates on these debts. Many a time, the amount spent on debt servicing is more than the budget allocated for education and health. December Green and Laura Luehrmann say that:

“*Africa spends four times as much on debt repayment as it does on healthcare. Countries wind up literally choosing between food and debt. In making what has been called ‘the cruel choice,’ countries like Mozambique allocate four times more for debt repayment than healthcare – this in a country where one out of every seven children dies before the age of five’.*”

A majority of the debts incurred by developing countries hitherto are the debts forwarded to rulers who have squandered the debt amount on wasteful expenditures. These debts are known as “odious debts” and there is an opinion that creditors should not even be expecting the repayment of these debts as they had lent knowing very well the purpose for which the amount would be used.

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Jubilee Debt Campaign’s Report gives some key facts about the debt burden of the Third World countries:

- “In the 1950s and 1960s the number of governments defaulting on their debts averaged four every twenty years. Since the 1970s this has risen to four every year.

- The Philippines, El Salvador and Sri Lanka governments continue to spend a quarter of government revenue on foreign debt payments.

- The current First World Debt Crisis has led to debts in impoverished countries increasing. Their government foreign debt payments will increase by one-third over the next few years.

- The Mozambique, Ethiopia and Niger governments could be spending as much on foreign debt payments in a few years as they were before debt relief.”

Adding to the burden of servicing the debt is the problem of fluctuations in the interest rates. The developing countries cannot hope to develop until they come out of this debt quagmire. But the developed countries are unrelenting and unwilling to forego the debt owed to them.

Technological Divide

Historically, most of the advancement in technology has taken place in the developed countries and they have reaped the benefits of the inventions and innovations. Developing countries lack resources to invest in R&D or import technologies. The Brandt Report says:

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“Almost all advanced technology originates in industrial countries and most of it continues to be developed by them. The North accounts for about 96% of the world’s spending on research and development. The scientists and engineers, the advanced institutions of education and research, the modern plants, the consumer demand and the finance are all found mainly in the richest countries.”

The R&D expenditure for South Asia and Sub-Saharan Africa (2007 figures) was a meager 0.75% and 0.58% of GDP respectively, whereas it was 2.45% for the countries which are members of Organization for Economic Development and Co-operation (OECD). The share of high technology exports as a percentage of manufactures export was 7% and 3% for South Asia and Sub-Saharan Africa respectively (2010 figures) whereas for OECD it is 16%.

World Intellectual Property Indicators’ Highlights regarding filing of patents point out that much of the patent activity remained concentrated in the high income countries which accounted for 70% of the total national patent application (similar to their R&D expenditure share) despite the growth in patent applications from middle and low income countries.

Transfer of technology to the developing countries can happen in two ways. One, through purchase of technological goods, the other is through “construction, operation and management of a foreign firm.” But hi-tech goods are priced so high that most of the developing countries do not have sufficient resources to buy them. Post-WTO, technological divide has widened as a result of the TRIPS Agreement whose rules are highly protective of the rights of the patent holders, which in most of cases are TNCs. The investment rules also forbid the developing countries from placing any sort of condition that requires the investors to make transfer of technology to the host country. The TNCs have a monopoly over most of the technology and it was due to the lobbying by them that TRIPS was included in the

32 n.1, p. 141.
35 n.30, p. 141.
WTO. Therefore it was a concerted effort on the part of the developed countries and the TNCs to deny the chance of development to the Third World countries by blocking the transfer of technology.

There exists a huge divide between the developing and developed countries when it comes to technology and the developed countries which did not favour patent rights for the inventors during their developmental phase, now want the implementation of standards which protect the interests of the TNCs which clearly want to reap as much profits as possible from these innovations.

2. Nature of the North-South Divide before and after WTO

Gross inequalities in the standards of living between the two worlds do not augur well for world peace. Pictures of affluence in one part of the world are bound to cause discontent among those who struggle hard to obtain a square meal. While there has been some economic growth in the developing countries in the past few decades, it has not done anything to reduce the gap between the developed and the developing countries. Whatever growth has taken place, the benefit of it has accrued to the rich as a result of which the rich are getting richer.

Growing inequalities result in an increase in crime rates and give rise to social unrest. The efforts of international organizations have proved to be inadequate to the task of reducing the divide. On the contrary, their policies have worsened the situation. Until the establishment of the WTO, it was the IMF and World Bank that wreaked havoc on the developing countries. Now it is the WTO which is in the thick of action.

The three important dimensions of the North-South Divide, unfavourable terms of trade, technological gap, and the problem of debt have been exacerbated by the policies of WTO. It would be important to look at the nature of the divide, before and after the establishment of the WTO.
2.1 Nature of the Divide before the WTO

The North-South Divide has always been characterised by unfavourable terms of trade, debt burden, technological gap, dependence on the developed world for finance, capital, technology and information, imbalance of power in various international organizations, income inequalities, concentration of wealth, mass poverty and hunger.

After World War II, the Bretton Woods institutions of World Bank and IMF were formed to restructure the world economy devastated by World Wars and bring in financial stability. But the problems of Europe weighed so heavily on their minds that hardly any attention was paid to the problems of the Third World. The decision making was concentrated in the hands of a few as contributions of the countries decided the number of votes they would have. This system virtually pushed out the developing countries from the decision making process.

The ITO which was intended to be part of the Bretton Woods institutions would have been in the interests of developing countries, if it had come into being. Its charter included provisions on employment and economic activity, economic development, subsidies, restrictive business practices and commodity agreements. These were important provisions from the stand point of the developing countries, but the ITO never materialized. The GATT concerned itself only with trade in goods and left out agriculture and textiles trade, two areas in which the developing countries had an upper hand. The tariff negotiations in the GATT was based on the Principal Supplier rule which proved to be disadvantageous to the developing countries as they seldom were principal suppliers of any commodity. The developing countries were faced with the problem of low and volatile prices for primary commodities which formed the major item of their exports. Processed and semi-processed goods were met with high tariffs in the developed country markets.

Most of the advancement in technology happened in the developed countries and therefore the developing countries were dependent on them for technology. The cost
of purchasing these goods was high, but without technology they could not hope to develop. Direct investment did take place but the profit sharing was unequal.

For their capital needs the developing countries had to incur debt. During the Cold War, loans were granted to regimes knowing very well that these amounts would not be used for constructive purposes. Long after those governments are gone, the people of those countries are still clearing those debts. Same was the case with ‘Aid’ as it was not forwarded according to need but according to strategic considerations of Cold War.\textsuperscript{36} Though the developed countries promised to give 0.7% of their Gross National Product (GDP) as aid, it never came anywhere close to that figure. Even when aid came by, it was with a lot of strings attached. In fact it is opined that the donor countries are the greatest beneficiaries of the aid given by them, as most of it is ‘tied aid’. This means it has conditions attached, like opening up the markets for donor country’s goods.\textsuperscript{37}

The aforesaid problems have continued even now. The difference in the situation for the developing countries is that they have more complex issues to deal with, after the formation of the WTO, the nature of which has been described in the next section.

2.2 Nature of the Divide after WTO

With the establishment of the WTO, several new dimensions have been added to the problems that existed, thereby exacerbating the divide. The developing countries had agreed to the inclusion of new issues such as agriculture, services and intellectual property, even though they were against such a move, as part of a compromise formula in which they had been promised greater market access for products of interest to them, especially in agriculture and textiles. But the developing countries realized after the conclusion of the Uruguay Round that they had signed a “blank cheque”. The conclusion of the Uruguay Round gave the developing countries new problems to grapple with.

\textsuperscript{36} Green and Luehrmann, n. 29, p.132.
\textsuperscript{37} Ibid., p.133.
a) Agreement on Agriculture (AoA)

With the coming into force of the AoA, the developing countries had hoped that they would gain access to the markets of the developed countries. Their hopes have been dashed as the developing country farmers are finding it hard to compete in the world markets. This is because of the subsidies doled out by the developed countries. The tariffs may have been reduced to a certain extent, but the several disguised barriers not only remain but in fact, have increased. Apart from this the developing countries have been forced to open their markets to agricultural imports which means their farmers are facing competition even on the domestic front. Unable to face competition both in domestic and international markets the farmers are quitting agriculture as it is not viable anymore. Even to this day majority of the people in developing countries depend on farming for livelihood. The provisions of the AoA are not friendly to the farmers of the developing countries.

b) The General Agreement on Trade in Services (GATS)

The GATS is another such agreement which is against the interests of the developing countries. At the outset, GATS appears to be a very benign agreement because it does not call for across-the-board liberalization. It allows the developing countries to open up only according to their capacity and requirement. But GATS has more potential than any other agreement to harm the interests of the people because of its coverage. It covers all the Services that could be provided from ‘cradle to grave’. Officially the GATS position is “with due respect for national policy objectives and the level of development for individual members” but behind the scenes there is lot of pressure exerted by the developed countries to force open the Service sectors of developing countries to foreign competition.

There has been pressure from the developed countries for progressive liberalization of several other sectors in which they have comparative advantage. These include sectors like education, health, water supply, banking, insurance and so on. Traditionally essential services like health, education, postal and railways have always been provided by government. Under the guidelines of the IMF and World
Bank, several countries privatised these services. One can only imagine the plight of the poor, if essential services are liberalised owing to pressures. Poor people in the developing countries will not be able to afford the cost of these services. Liberalization of services has got a lot to do with the standard of living in the developing countries. Inspite of this, the developed nations are pushing for the liberalization of more and more service sectors.

c) The Trade Related Intellectual Property Rights

TRIPS is yet another controversial area of the WTO agreements. Prior to TRIPS Agreement, intellectual property rights were governed by the rules of the Paris Convention for the protection of industrial property, Berne Convention for the protection of literary and art works and Rome Convention for the protection of performers, producers of phonograms and broadcasting rights. World Intellectual Property Organization (WIPO) was the international organization which oversaw the administration of these rules. Intellectual Property is not an issue related to trade and should not have been brought into WTO. The developing countries were against its inclusion in the negotiating agenda but were not successful in preventing its entry into WTO. It made way into WTO because of the lobbying of the TNCs and the developed country governments that supported them. The TNCs have control over most of the technology and they intend to derive a monopolistic advantage from it. But the IP rules that existed in the developing countries prevented this from happening. Therefore they lobbied hard with their governments to bring in uniform rules for IP, similar to what was prevalent in the developed countries. The developing countries are now being denied the right to benefit from inventions and innovations.

One aspect of TRIPS which is a source of acrimonious debates is the question of TRIPS and public health. This pertains to the patenting of drugs. The developing countries have been denied access to life saving drugs over which the pharma MNCs have patents. The generic drug manufacturers cannot manufacture these drugs until the expiry of the patent, while the pharma companies charge exorbitant prices for these drugs in the developing country markets. People die in sub-Saharan Africa
where HIV AIDS is rampant but the pharma companies would not let them import generic drugs which are available at a much lower price. After a hard fought battle, the developing countries were able to get the compulsory licensing clause into the TRIPS but then it is fraught with so many cumbersome procedures that it becomes very difficult to invoke it. TRIPS has a bearing on the health and life expectancy of the people of the developing countries and, needless to say, it has given rise to a new set of concerns for the developing countries.

d) The Democratic Deficit in the WTO

The working of the WTO points towards the fact that it is an undemocratic organization. This was amply demonstrated in the Uruguay Round where negotiations were conducted behind closed doors and as a result of which the general public was largely uninformed about the happenings of the Uruguay Round. These negotiations were to bring changes that were to alter their lives and yet they were kept in the dark about them.

There is a ‘democratic deficit’ in the WTO as has been demonstrated by the “Green Room” negotiations. These negotiations are held in the chamber of the Director-General by a few countries to achieve consensus on matters of importance and the decisions that are taken are placed in front of everybody else for acceptance. Developing countries are not adequately represented in these discussions.

Fatoumata Jawara and Aileen Kwa expose the way in which the WTO actually functions. They are of the opinion that developing countries even today are browbeaten and forced into submission. The developed countries use various tactics to extract what they want from the developed countries. The subversive tactics and devious mechanisms have made it possible for the developed countries to drive a wedge between the developing countries. The authors opine that the most of the times WTO staff, which is supposed to be neutral, are hand in glove with the developed countries in pushing further their agenda.

e) Other Issues

Apart from complexities arising out of specific issues, there are several other problems that the developing countries have to contend with:

- Huge administrative machinery is required to make the trade policies of a country WTO compliant. This is a burden and strain on the limited resources of the developing countries.
- Market access is still a problematic issue as exports from developing countries still face a lot of tariff and non-tariff barriers.
- Developed countries are eager on the inclusion of issues like investment, competition policy, trade facilitation, government procurement, and environment and labour standards. If this happens, then the developing countries will have some more issues to contend with.

3. Review of Literature

Joseph Stiglitz, *Globalisation and its Discontents*

The book *Globalisation and its Discontents* is, as Prof. Stiglitz himself says, an account of his interpretation of policy making in the White House and the World Bank (which he witnessed during his tenure), with reference to the developing countries. The thought that emerges from this book is that globalization is capable of uplifting of the poor, but the way it has been managed by various international organizations has caused problems for the developing countries. It has been pointed out that the decision making process in these organizations is completely devoid of sound economic policies, transparency and deliberations.

Prof Stiglitz goes on to say that international organizations like IMF, World Bank and WTO have prescribed policies for the developing nations based on the assumption that open markets are the solution to all the problems besetting them and in the process have prohibited government intervention. While the author accepts that governments cannot remedy every market failure, he opines that it surely can make policies to solve the problem of inequality, unemployment and
pollution. He therefore avers that the government has an important role to play and the above international organizations are wrong in assuming that markets are perfect.

In this book, Prof. Stiglitz discusses the working of global institutions like the IMF, World Bank and the WTO. The emphasis is on IMF’s policy prescriptions and its impact on developing countries. Cases that have been taken up are the East Asian Crisis and that of Russia. With reference to WTO, Prof. Stiglitz points out that the developed nations advocate free trade for developing countries while they protect their markets from competition from developing countries. He is particularly critical of the intellectual property regime which he says is more favourable to the producers rather than the users. He points towards the patent protection for pharmaceuticals which has caused problems for the developing countries. He also discusses cases of bio-piracy which have increased because of the IP regime. He is also critical of the decision making process of the WTO which he says is non-transparent and unaccountable to the people.

As part of his recommendations, the author opines that globalization is an irreversible process but there is a need to find ways to manage it better. For this he suggests that it is necessary to reform the international institutions of IMF, World Bank and WTO, especially the governance and transparency aspect. He also calls for the debt restructuring mechanisms.

For the developing countries he suggests that it is essential that they set their own house in order by increasing the efficiency of their governments and rooting out corruption that has stifled the effectiveness of their public sector and the growth of their private sector. At the same time he says that the developed world needs to make globalization more human by reforming the institutions and practices it has created to make it beneficial for everyone.
Thomas L. Friedman, *The World is Flat: A Brief History of the Globalized World in the 21st Century*

As the title of the book says, Thomas Friedman feels that the world today is flat, by which he means that the playing field has been flattened where everybody has access to all the technology and it is up to each country or individual to make the most out of it. The book has six chapters and through these six chapters the author analyses and discusses the nature of globalised world, forces that have flattened the world, the various advantages of the flat world and the steps to be taken to survive in a flat world.

The author looks at the brighter side of globalization and is optimistic about the future of the flat world. He is of the opinion that the flat world has created a level playing field and innumerable opportunities for all the countries of the world – big or small. The factors or incidents that he feels have led to a flat world are the advancement in technology – like the advent of internet and rapid changes in telecommunications. He says that developments like outsourcing and offshoring has benefitted developing countries like India and China who have been able to take advantage of their skilled manpower and abundant labour. The author goes on to say that these developments have brought a lot of hope to the people in developing countries by providing employment. He, in fact feels that in the globalised world, it is the developing countries who have gained and that the developed countries should wake up if they do not want themselves to be left behind in the race. He also gives ideas about how government and countries should adapt, if they are to survive in the flat world. He says that if the developing countries are to grow in the globalised world they need to make further reforms like easing of restrictions on establishment of businesses, protection of property rights and so on. He is of the opinion that open societies who are more accepting and assimilate other cultures and changes that take place in the world have better chances of progressing.
In the book ‘Globalization and its Discontents’ Stiglitz had outlined the various problems caused by globalization. Continuing his argument, in this book ‘Making Globalization Work’ he concentrates on remedial measures to make globalization work for all.

The author reiterates the problems faced by the developing countries and says that though globalization has the potential to benefit all; it has resulted in uneven gains and has benefitted few at the expense of the many. He points out that globalization might have resulted in GDP growth but many people are worse off than before. This has happened, he says, because the rules of globalization are designed to benefit the developed countries to the detriment of the developing countries. He points towards the fact that though supporters of globalization aver that globalization benefits everybody, there are evidences to show that it has resulted in losses for people both in developing and developed countries. He opines that globalization has become Americanization of economic policy or culture.

In this book Prof. Stiglitz has discussed in detail the unfairness of the trading system that is prevalent today. He is of the opinion that trade as practiced today involves double standards. These double standards become evident in the demands of the developed countries for the removal of all barriers to trade while practicing protection at home by providing agricultural subsidies worth billions of dollars. They force the developing countries to dismantle all tariffs while they themselves discourage exports from developing countries by escalating tariffs on manufactured goods and impose several non-tariff barriers like safeguards, anti-dumping duties, rules of origin and technical standards. He points out that the developed countries follow different standards for the determination of unfair trade in domestic and international arena. This, he says, has led to one-sided trade liberalization, that is, only from the developing countries who have been forced to give up all forms of protection. He is of the opinion that such trade liberalization has led to job losses both in developed and developing countries, but the impact has been more on the
developing countries as they people there do not have social safety nets to fall back on.

Continuing the line of argument followed in *Globalisation and its Discontents* he says that the current intellectual property regime, especially the patent laws, stifles innovation. He opines that the criteria for patenting are such that it bars other researchers from building upon the patenting knowledge. He points out that such a patent system benefits TNCs, who are rent seekers, rather than the actual inventors. Therefore he says there is a need to modify the patent regime. In order to encourage research and innovation, he suggests the establishment of a prize fund to reward researchers according to the usefulness of their innovation to society as a whole.

As far as the trading system is concerned he recommends that the developing countries should receive special and differential treatment in that they could open their markets to other developing and least developed countries, but should not be required to open their markets to the developed countries on a reciprocal basis. On the other hand, he says that the developed countries should open up their markets for exports from developing countries and give up their double standards.

**Rorden Wilkinson and James Scott, Developing Country Participation in the GATT: A Reassessment.**

Rorden Wilkinson and James Scott say that the developing countries did participate in the GATT negotiations beginning with the formation of the ITO. Further, they say that, the developing countries participated to the fullest extent in the First Round of GATT tariff negotiations and the subsequent rounds and tried to shape the GATT in a way which would reflect both developing and the developed country interests, providing chairs and vice chairs for negotiating committees.

It is pointed that most of the developing countries were still colonies when the GATT was being formed and hence they were represented by their colonial masters. By the time they became independent, the GATT rules had already been formed and the developing countries realized that those rules were not in their interests. Hence they grew distrustful of the GATT. The post-war policies of the developed countries
to exempt agriculture from GATT obligations proved to be a major irritant to the developing countries. Also the industrialized countries decided to protect their textile industries from outside competition, precisely the area where developing countries had a comparative advantage.

The authors reason that the efforts of the developing countries to make ITO developing countries-friendly did not go well with the developed countries and therefore they (mainly the US) shunned the ITO and settled for GATT instead. GATT mainly focused on tariff reduction through Principal Supplier rule on a reciprocal basis which is why the developing countries could not participate effectively in GATT. The Principal Supplier criteria put the developing countries to a great disadvantage as they were not the Principal Supplier in many cases and hence could not request tariff concessions. It was only in the Fourth Round of negotiations that developing countries were allowed to ask for tariff concessions collectively.

The article also highlights the fact that GATT did not result in any benefits for the developing countries, as negotiations for tariff concessions were held only for processed and semi-processed manufactures. Agriculture and textiles – the areas in which the developing countries were strong – were kept out of the GATT purview. Moreover, the authors say that GATT did not include in its ambit other trade restrictive measures like quotas and internal taxes and concentrated only on tariff reductions. This was really problematic for the developing countries as many of their exports faced quotas and internal taxes rather than tariffs. These issues made the developing countries feel that the GATT was inimical to their interests and hence they concluded that participating in the negotiations was a strain on their limited resources.

Chakravarthi Raghavan, *Recolonization: GATT, the Uruguay Round & the Third World*

This book was written even as the Uruguay Round negotiations were going on. It was an attempt to educate the people about the inequities of the multilateral trade negotiations in general and the Uruguay Round of negotiations in particular.
Through the book, the author has tried to expose the real intention of the developed countries in pushing for a new round of negotiation under the auspices of GATT. It gives good insights into the Uruguay Round.

The book provides an account and analysis of Uruguay Round of negotiations until 1990. The author has made a detailed analysis of the background to the Uruguay Round, and the role of TNCs in the initiation of new round and inclusion of new issues like services, intellectual property and investment. The author begins by explaining why the developed countries chose GATT to reshape the world economy. He then describes the tactics adopted by the developed countries to make the developing countries agree to a new round. The manner in which new issues like services, intellectual property and investment were placed on the negotiating table has been brought to the fore. The book provides information on how the new issues would affect the developing countries adversely. Through the book the author aimed to spread awareness among policy makers, academicians the general public about the adverse implications of the outcome of the Uruguay Round on the people of developing countries. The author makes it clear that the Uruguay Round intended and would result in the furtherance of the interests of the TNCs and the developed countries to the disadvantage of the people in the developing countries.

T K Bhaumik, *WTO: A Discordant Orchestra*

The book begins with details about the birth of the WTO. The first chapter gives us information about GATT, the Uruguay Round, birth of WTO, its objectives, functioning and problems with the Uruguay Round. In the second chapter ‘Unhappiness of the South’, the author describes the various agreements of the Uruguay Round with which the developing countries were unhappy, namely, textiles and clothing, agriculture, market access, GATS and the TRIPS and Trade Related Investment Measures (TRIMS). The author points out that the developing countries realized after the conclusion of the Round that they would not be getting any benefits from Agreement on Textiles and Clothing as the developing countries would integrate most of the products only in the last year of the transition period. The Agreement on Agriculture did not result in greater market access for the
developing countries nor did it result in reduction of the subsidies. Under GATS, the flexibilities were available both to the developing and developed countries and hence there was no special treatment for the developing countries and they did not gain any market access benefits especially in Mode 4 where they had natural advantage. The TRIPS Agreement restricted the transfer of technology and put a severe constraint on the capacity of governments to protect public health. The trade related investment measures also restricted the capacity of governments to introduce measures to steer the investments so that they benefit the host economy.

The Ministerial Conferences held after the Uruguay Round have been explained from the point of the developing countries trying to correct the imbalances of the Round. The agenda setting process and the negotiations under Doha Round have been described (upto the Hong Kong Ministerial). The author has dealt with the issue of TRIPS and Public Health extensively and has brought out the politics behind the declaration on TRIPS and Public Health. The author contends that the developed countries at the behest of the pharmaceutical companies have rendered the affirmation of the right to protect public health useless by imposing several onerous conditions on the issue of compulsory license. The author also discusses the modalities for negotiations on agriculture and non-agricultural market access (NAMA) and the differences between the developing and developed countries on them.

Concluding the book the author says that the inspite of the impasse in the negotiations, the WTO cannot be written off. He is of the opinion that the WTO is still relevant and the growth in its membership is a testimony to that. He says that the dispute settlement mechanism of the WTO has been effective and has delivered verdicts which have had the effect of checking unfair trade practices. He also opines that in the last few years, there has been an increase in the participation of developing countries in the process of deliberation. The author in fact says that in the past ten years the balance has been in favour of the developing countries. It is his opinion that if the members feel that the WTO has not lived upto their expectations, it is because of their mutual differences and not because of the organization itself. He makes some recommendations to bring an improvement in the system. First of
all, he says that it is imperative that the issues from Uruguay Round need to be resolved and for this, he says that the developed countries particularly the US and European Union have to make sincere commitments. For the developing countries he suggests that they have acquired significant negotiating capacities and they should concentrate on ensuring a balanced outcome. Altogether the author is of the opinion that with some remedial measures WTO can be beneficial to all its members and that the existence is important for world trade.

**Bhagirath Lal Das, *WTO Agreement on Agriculture: Deficiencies and Proposals for Change***

In this book the author begins with the assertion of the fact that the developing countries should produce their own food and minimize their dependence on imported food as there may be times when foreign exchange may become scarce, in which case dependence on imported food may cause trouble. He recommends that the AoA should be altered to suit the requirement of staple food.

He goes on to discuss how developed countries take advantage of the tariffication and impose high tariffs on certain product lines. He points out to the fact that developed countries still dole out heavy domestic and export subsidies and this is very unfair as it hampers the prospects of the developing country farmers. The author has proposed certain specific changes to the AoA like the elimination of both domestic and export subsidies by the developed countries, significant reduction and a ceiling on tariffs by developed countries, flexibility for the developing countries to raise the tariffs above the *de minimis* levels, permission for countries with low forex to protect their agriculture form imports and allowing developing countries to protect their subsistence and small scale farmers from imports.


This book has been written primarily as a response to the counterattack by WTO and OECD to the opposition voiced by several NGOs and civil society groups against
the insidious nature of GATS. The book counters all the arguments by making a threadbare analysis of the GATS, its implications for and impact on the developing countries.

The authors say that the advocacy of GATS by WTO and OECD has been at the behest of various powerful service providers association. They say that the ‘advocacy pieces’ try to brush aside the real concerns of the civil society by terming them as ‘scare stories’. They describe GATS as a very broad, ambiguous and complex agreement, and it is the ambiguity of the agreement that has been working against the developing countries as they are not sure how a particular action may be interpreted. The authors say that while the service providers who are the chief beneficiaries of the agreement use the GATS laws as it is favorable to them, the people who benefit least from it have to nevertheless abide by it.

Discussing the structure of the agreement, the authors say that GATS is an agreement which is very broad in scope as it includes all the services imaginable. Though it makes an exception for services supplied in the exercise of governmental authority, it applies only to services which are not supplied in competition with one or more service providers or on a commercial basis. This, they say makes the exception useless as there are instances where public services providers charge minimal fee to recover the cost. It is also pointed that many a times both public and private sector exist side by side but public sector does not compete with the private sector, but works only to provide universal access. These facts have not been taken into consideration by the GATS.

The authors aver that the GATS entrenches commercialisation of services as commitments made under GATS makes it difficult for a member to withdraw commitments. But, the authors consider restrictions on domestic regulation more dangerous than the commitments under GATS. They point out that the current negotiations on domestic regulations will further jeopardize the interests of the people as it attempts to further restrict the power of governments to introduce regulations in the interests of public welfare.
Concluding the book the authors say that GATS is an agreement that is inimical to the interests of people as it encourages privatization. It protects the interests of private service providers, who are eyeing the huge essential services market, most of which is still controlled and regulated by the governments. The authors say that the harmful impact of GATS can be countered only by the action of informed citizens and their governments.

**Martin Khor, Intellectual Property, Biodiversity and Sustainable Development: Resolving the Difficult Issues.**

In this book Martin Khor deals in detail with the problem areas of intellectual property with reference to biodiversity, environment and sustainable development. The main issues discussed in this book are TRIPS and traditional knowledge, the relationship between TRIPS and the Convention on Biological Diversity (CBD), Article 27.3(b) of TRIPS that deals with patent protection for life forms and TRIPS and technology transfer.

Speaking of traditional knowledge, Martin Khor says that traditional knowledge has played an immensely important role, both in the protection of environment and the fulfillment of human needs. He points out that traditional knowledge has played a huge role in enriching agricultural and pharmaceutical innovation. He opines that the intellectual property laws currently in vogue, especially TRIPS, has created laws that are favourable to those who have been misappropriating traditional knowledge. Giving examples of various instances of bio-piracy both in the field of agriculture and pharmaceuticals, he says that the interests of the indigenous people have been jeopardized. He makes a host of recommendations to protect traditional knowledge and the rights of people who have enriched this body of knowledge.

In the chapter on TRIPS and CBD, he says that there is a basic difference between the origin, rationale and framework of the two agreements. The author points out the following differences between CBD and TRIPS:
- The CBD was formed with an idea of protecting biodiversity, environment and the rights of indigenous people, whereas the TRIPS Agreement was formed as a response to lobbying by the TNCs who wanted to guarantee their technological dominance and profits by gaining patents and thereby monopoly rights over the products.

- While the CBD guarantees the sovereign rights of a state over their resources, the right to determine the access to those resources and access and benefit sharing mechanism, the TRIPS has no such provision.

- Whereas the CBD recognizes the contribution made by the indigenous people and local community and aims to protect it, the TRIPS assumes, for patent purpose, that the inventors could only be natural or legal entities like private individuals or corporations and hence ignores the vast body of contributions made collectively by people over a period of years.

The author opines that since TRIPS has become the dominant international law on intellectual property, the alternate views on protection of intellectual property have been sidetracked, to the detriment of the indigenous and local people.

The author also discusses Article 27.3 (b) of TRIPS which pertains to patenting of life forms. He opines that the Article makes an artificial distinction between various life forms for purpose of patenting. TRIPS allows the patenting of plant varieties, micro-organisms and micro-biological processes for production of plants and animals. The argument here is that plant varieties, micro-organisms and micro-biological processes are all natural processes. If anything new is found, they, at best, can be called discoveries and not inventions and therefore it would be wrong to grant monopoly rights to a single person or entities over such discoveries.

In the last chapter pertaining to TRIPS and Technology Transfer, the author points out that the TRIPS does not contain provisions which will help sustainable development as it does not have any provisions which make it obligatory for the transfer of environmentally sound technology to the developing countries. It also
does not discourage the patenting of technologies that could be harmful to the environment.

He gives several recommendations to correct the various imbalances. Some of them have been suggested by various developing countries. Regarding the protection of traditional knowledge, he says that patent protection for living organisms should be removed altogether. Prior informed consent of the countries of origin of traditional knowledge and benefit sharing mechanism should be made compulsory for the commercial exploitation of a traditional knowledge. To counter bio-piracy, he suggests that nations could have a digital database of traditional knowledge, a patent system for traditional knowledge and national legislation on bio-diversity and benefit sharing. He also suggests a Non-IPRs system of reward, incentive and benefit sharing in which allocation of rewards would be based on the degree of contribution and the usefulness to society. He also suggests that TRIPS should be made CBD-consistent. With reference to TRIPS and environment, he suggests that patenting of technology which is harmful to environment should be banned and that IP rules should be relaxed in case of environmentally relevant technologies.

**Chakravarthi Raghavan, Developing Countries and the Services Trade: Chasing a Black Cat in A Dark Room, Blindfolded.**

In this book Chakravarthi Raghavan discusses in detail the way in which the GATS was arrived at and the way in which developing countries are affected by it. The author says that GATS entered the multilateral negotiations like a ‘thief in the night’ and that there was complete lack of data when the GATS was reached. The developing countries signed an unequal agreement in which there were no benefits for them as their service sectors were not strong as the developing country service sectors. The author says that with no data available regarding the costs and benefits of service trade, GATS, for the developing countries is like ‘chasing a black cat in a dark room – blindfolded’! Therefore he is of the opinion that the developing countries should not go ahead with commitments until enough data is available to them.

In this book, the author discusses in detail, the status of Doha Round of negotiations (up till 2008). The author says that the developed countries have been demanding further concessions under the Doha Round from the developing countries but are unrelenting when it comes to the rightful demands of the developing countries. It is pointed that the developing countries are better informed and better prepared than before and therefore it will not be easy for the developed countries to make the developing countries agree to new commitments. The author therefore suggests that the developing countries should remain alert and prepare for meaningful discussions. The important areas in the book are agriculture, NAMA, services, the development agenda of the Doha Round and recommendations.

The book begins with the development agenda of the Doha Round which includes implementation issues, special and differential treatment for developing countries, debt and finance and technology transfer. Here it is pointed out that the development agenda has been completely relegated to the background and attention of the negotiations is completely on agriculture, services and non-agricultural market access which are of interest to the developed countries. The author points towards the fact that the developed countries want some sort of balance in the outcome of negotiations in these areas but the development issues do not figure in this balance.

The author says that the modalities for negotiations on all issues are once again unfair to the developing countries, as they have been formulated with the intention of gaining further concessions from them, while not giving much benefit. He points out that in agriculture the developed countries are once again trying to retain their trade distorting subsidies by manipulating the amount of subsidies given by them. The differences between the developing and developed countries on issues like special products and special safeguard mechanism has been discussed in detail. With respect to NAMA the author points out that the formula based tariff reductions will result in deeper cuts for higher tariffs and this will mean that the developing countries will have deeper cuts in their tariff levels. In services sectors also, the developed countries have been pressurizing the developing countries to further open
their service sector. They have also demanded that market access in services are comparable to that in agriculture and non-agricultural market access.

The author opines that the Doha Round of negotiations may once again result in inequitable commitments and therefore he suggests that the developing countries should stick to their ground and not be guided by some concessions that may accrue during the negotiations. He opines that their aim should be furtherance of vital concerns like protection of small farmers. For this it is recommended that developing countries could negotiate in groups with developed countries.

**Fatoumata Jawara and Aileen Kwa, Behind the Scenes at the WTO: The Real World of International Trade Negotiations**

Fatoumata Jawara and Aileen Kwa expose the way in which the WTO actually functions. The authors have arrived at their conclusions after making an in-depth analysis and have corroborated their findings by interviewing delegates of both the developing and developed countries and some of the WTO staff. The book begins with an introduction about the WTO, the multilateral system before WTO, decision-making in the WTO and key regional groupings and alliances in WTO. The focus of the book is the Doha Round of negotiations. The main issues of the Doha Round, the preparatory stage of the Round i.e. the mini-ministerials, the actual Doha Round and the Post-Doha happenings have been described in detail.

It is a fact that the working, rules and processes of the WTO are heavily in favour of the developed countries. How this is exactly achieved is what the book tries to expose. The authors have gone deep into the negotiating process of the WTO where the developing countries, even today, are browbeaten and forced into submission. It has been brought to the fore that the developed countries use various tactics to extract what they want from the developed countries. These range from use of the preferential treatment, bilateral agreements, financial aid bypassing the delegates of developing countries at Geneva who are well-versed technically with the various issues at hand and talking directly with the Capitals in an attempt to wedge a difference between the Capital and the delegates, issuing outright threats to the
ambassadors at Geneva, keeping developing countries out of the Green Room negotiations, marathon negotiations running continuously for three to four days making it impossible for countries with lesser number of delegates to stick to their stand circulation of the agendas few hours before the negotiations, holding negotiations on different issues simultaneously, and non-availability of the translations of the discussions and decisions in French and Spanish which also are the official language of the WTO. The authors opine that the most of the times, WTO staff, which is supposed to be neutral, is hand in glove with the developed countries in pushing further their agenda. The authors emphatically state that all this has to change if the developing countries have to benefit from the WTO.

There is a huge body of literature pertaining to globalization, world trade, multilateral negotiation on trade and the WTO. Advocates of globalization are of the opinion that it has resulted in greater opportunities for all as it facilitates free movement of goods, technology, information, capital and people. But globalization has several opponents who write that it has benefitted only a section of people – people who already possess necessary skills and wherewithal to take advantage of the forces of globalization. The literature read, in the course of this research has been helpful in gaining information on the history of globalisation, the dynamics of the current phase of globalization and its various facets, the role of international organizations and the impact of globalization on the poor. Literature on WTO and its various agreements have been an important source for this research and they have covered the history of multilateral trade negotiations, right from the attempts to form the ITO, various negotiating rounds under the auspices of GATT, the Uruguay Round of negotiations, the WTO agreements and their impact on the developing countries and the ongoing Doha Round of negotiations. In this research work we have drawn from the existing body of work to derive conclusions about the impact of WTO and its policies on the developing countries. The research work focuses on the latest developments in the WTO and the new strategies adopted by the developed countries to manipulate the developing countries. Based on all the findings, we have made some recommendations to mitigate the problems besetting the developing countries which have arisen as a result of inequitable policies of WTO.
4. Objectives of Research

1. To understand the dynamics of globalization from a politico-economic perspective.

Globalization is a very complex process that has many dimensions. It not only integrates economies but also brings about standardization of policies through the norms administered by organizations like the WTO. Previously it was possible for the nation-states to formulate policies which suited their developmental concerns. But now international organizations have taken over much of the policy-making functions and the nation-states have to conform to these policies. The WTO has become a powerful organization in the last few decades mainly because of its enforcement mechanism which the other international organizations lacked. The WTO has been dominated by the developed countries and its agreements were formulated to further their interests. This has resulted in the loss of policy space for the developing countries. The consequences of these policies transcend beyond trade to other spheres also. AoA, GATS and TRIPS are much more than just trade agreements. Their implementation has altered the very life of the people living in the developing regions.

It is the purpose of this research to look into these aspects and discern the impact of policies of the WTO on the political, economic and social status of the developing countries.

2. To understand the nature of the North-South Divide.

The North-South Divide has been a topic of heated debate in the international circles for a long time. The divide is not just about poverty or income inequalities. It has several facets to it. It is political, economic, social and technological and all these are closely interlinked. For any attempt to suggest measures to bridge the divide a clear understanding of the nature of the divide is essential. Therefore it is our objective to understand the nature of the North-South Divide. An integrated
approach is required because the divide in one area leads to another and a piecemeal approach to the issue may not work.

3. To explore the linkage between globalization and accentuation of the North-South Divide.

The North-South Divide has existed for centuries as the countries of the Global North have always been ahead in terms of technology, finance, and political institutions. Causes that could be attributed to the underdevelopment of South include the lack of natural resources or lack of know-how and capital to exploit those resources, lack of development of political institutions, imperial and colonial exploitation and so on. Even as the developing countries had been struggling with their problems, a new wave of globalization has swept the world in which there is increased dominance of market forces. This phase is characterized by the ideology of neo-liberalism as manifested through liberalization, privatization and deregulation. The developed countries which had once heavily regulated their economies during their earlier stages of development now espouse free market ideology. This ideology may not be in the interests of the developing countries, nevertheless they are forced to follow it. This can have adverse impact on their developmental prospects. It is the objective of this research to explore the linkages between globalization and the accentuation of the North-South Divide, with specific reference to the WTO and its policies.

4. To undertake a careful study of Agreements of the WTO to discern their impact on the North-South Divide.

The new wave of globalization has been epitomized by the Agreements of the WTO which aim to remove all existing barriers to trade. It was claimed that opening up of markets would result in increased market access for the developing countries. But after nearly two decades of WTO existence, the facts point otherwise. The WTO agreements have resulted in greater market access for the developed countries to the markets of developing countries and the latter do not seem to have gained much. On the contrary the developing countries have encountered a host of new problems as a result of opening up their markets. It is yet another objective of our research to study what exactly is the impact of these agreements on the developing countries.
5. To suggest ways of bridging the North-South Divide so that globalization can have a human face.

Globalization, if regulated, could be beneficial to everybody. But this is not happening. The developed countries of the North have formulated policies that will help maximize their profits. When it comes to the question of developing countries they seem to adopt standards drastically different from what they had applied to themselves in their earlier stages of development. There is evidence to suggest that the policies of WTO have caused economic crisis in several countries. Farmers are committing suicide. People are dying of diseases because they cannot afford costly medicines and the patent laws bar the developing countries from manufacturing or importing drugs that are under patent laws. The quality of life for poor people has gone down as more and more services are being turned over to private sector and the poor cannot afford to pay for these services. There is a need for better ways of globalization. It is the objective of our research to suggest ways to bridge the North-South Divide.

5. Hypotheses

Globalization is an uneven process in which some gain and many lose. This uneven process is exemplified by WTO whose policies have been carefully crafted to advance the interests of the developed countries. In the formulation of these strategies the interests of the developing countries have been largely ignored and in many cases compromised, thereby depriving them of comprehensive development. This has resulted in the widening of the existing divide between the global North and the South.

The following hypotheses will be tested in the thesis:

a) Globalization, as promoted by the WTO accentuates the North-South Divide.

b) The agricultural policy of the WTO is detrimental to the interests of the developing countries as a whole and small farmers in specific.

c) The General Agreement on Trade in Services is not in the interests of vulnerable people most of whom live in developing countries.
d) The Trade Related Intellectual Property Rights poses a serious threat to the efforts at promoting health, protecting the livelihood and overall developmental interests of the developing countries.

e) There is a huge possibility of the widening of the chasm between the developing and developed nations as a result of inclusion of issues which are advantageous to the latter, in the ongoing negotiations.

6. Methodology Followed

The thesis begins with an exploration of the linkage between Globalization and the North-South Divide. The various facets of Globalization have been studied through the historical and descriptive method.

The role of trade and treaties governing trade has been examined in detail. Policies governing the Agreement on Agriculture, General Agreement on Trade in Services, Trade Related Aspects of Intellectual Property Rights and others have been studied in detail from a critical and analytical perspective and their overall impact on the North-South Divide has been assessed.

Due importance has been given to trace the historical paths and events that have changed world trade, and the ways in which they have accentuated the North-South Divide.

The theoretical perspective running through the thesis will be that of the Dependency School of thought, and the ‘Development of Underdevelopment’ argument, as propounded by scholars like Andre Gunder Frank, Immanuel Wallerstein and Samir Amin, whose analytical explanations in the form of the Centre-Periphery thesis, the dynamics of expropriation and appropriation of the economic surplus of satellite economies, the co-option of the governing elite of the dependent countries, and the universalization of a very imperfect kind of globalization which clearly promotes the interests of the developed world – provide rather convincing explanations for the accentuation of the North-South Divide.

Finally, ways of bridging the gulf between North and the South from the perspective of WTO's policies and globalization – ensuring an inclusive growth and
leading to equitable development for all denizens of a balanced globalized world, have been suggested.

7. Sources of Data

The primary sources of data are the documents of GATT, the WTO and Reports of various international organizations.

The secondary sources are the books, working papers, analytical notes, policy notes and articles written by scholars and information in the newspapers and websites on the issues pertaining to the research subject.

8. Scheme of Chapterisation

The thesis has been organised into six chapters. The Introductory chapter is followed by chapters on Multilateral Agreements on Trade in Goods, General Agreement on Trade in Services, Trade Related Intellectual Property Rights, the Doha Round of negotiations and the concluding chapter.

The Introductory chapter consists of sections on description of the research problem, relevance and importance of the topic, nature of the North-South Divide prior to and after establishment of WTO, review of literature, objectives of study, hypotheses, methodology and scheme of chapterisation. The introductory chapter sets the stage for a detailed discussion on various agreements of the WTO and its impact on the North-South Divide.

Chapter 2 – The Multilateral Agreements on Trade in Goods

The second chapter is the chapter on the Multilateral Agreements on Trade in Goods. This chapter begins with a history of the GATT, follows the motives and the intentions behind the formation of GATT, the role and concerns of the developing countries during the formation of GATT and during the subsequent rounds of negotiations. The chapter also includes a section on the eventful Uruguay Round. This is followed by the overview of the Agreements on Trade in Goods. One whole section is devoted to the Agreement on Agriculture as the issues in that area merit
discussion in detail. Apart from this, the chapter will also look at the developments up to the Doha Round with respect to trade in goods.

Chapter 3 - General Agreement on Trade in Services

The chapter on General Agreement on Trade in Services will begin with a section on introduction to GATS which will include the definition and scope of services and rules of GATS as it applies to its members. This will be followed by a section on implication of liberalization of services for the developing countries’ service sector and a section on the impact of GATS on the vulnerable people. The last section looks at the developments up to the Doha Round with respect to services.

Chapter 4 – Trade Related Intellectual Property Rights

The chapter on Trade Related Intellectual Property Rights consists of sections on introduction to the TRIPS Agreement, implications of TRIPS on transfer of technology, implications of TRIPS on public health, TRIPS and Bio-piracy and the developments up to the Doha Round.

Chapter 5 – The Doha Round of Negotiations

The Chapter on Doha Round of negotiations begins with a brief introduction to the Doha Work Programme. This is followed by a section on the Doha Development Agenda which includes issues of concern to the developing countries. The chapter includes a section on Declaration on TRIPS and public health and the subsequent decisions on this matter. The next section is on the possible implications of the negotiation of Singapore Issues for the developing countries. The chapter ends with a section on recent developments in WTO.

Chapter 6 – Findings, Conclusions and Recommendations

In the concluding chapter the findings and analysis of the main chapters are woven together. This is followed by the summing up of conclusions and the suggestion of reforms to bridge the North-South Divide.