

# **Power and Trade Agreements between Developed and Developing Countries**

Muhammad Hassan Bin Afzal

Kent State University

## **Introduction:**

Bilateral and/or multilateral trade and business agreements are important socioeconomic growth factors in the less developed and low-income countries to ensure all-inclusive development and reduce income inequality in their population. Unfortunately, the less developed and low income countries often fail to get an equal place in these trade and business agreements due to the intersection of power disparity and fear of jeopardizing the probable future support from the developed and more powerful countries. This politically influenced economic phenomenon results in an increased marginality of these less developed countries. Recent economic analyses and research studies show that both financial development and economic growth in less developed countries in South Asia are more successful compared to other less developed countries in other parts of the world. Economists and researchers attributed this sustainable socioeconomic growth to appropriate resource allocation, adopting more flexible market policies and right price strategies (R. Wade 1992; Bist and Read 2018).

In this paper, while reviewing, investigating, and comparing the works of Wade (1992); Ozden (2003); and Bist and Read (2018), I argue that despite the collaborative efforts and policies from the world organizations and developed countries, the developing countries still face significant difficulties due to their economic status while conducting transnational trade and business with developed countries and often fail to attain mutually beneficial terms and agreements. I also reviewed several other reports that outline a similar trend and pattern between bi and multilateral business agreements where less developed countries systematically failed to attain equal space in the negotiation table. Wade (2018) argues that developed countries and world organizations collectively need to address this issue and develop a sustainable framework that ensures equal and equity-based participation from less developing countries, and this will ensure collective and sustainable global socioeconomic growth.

Wade (1992) argues that the least developed and developing countries are deprived of attaining equal opportunities and intended benefits from bilateral and multilateral trade agreements with more powerful, influential, and developed countries. Subsequently, Ozden (2003) analyzes the progress of bilateral and multilateral trade agreements over the period of twenty-five years (1976-2000) and recommends reciprocity approach rather than GSP in bi- and multi-lateral business agreements for the developing countries to attain more inclusive socio-economic development in the long run. Finally, Bist and Read (2018) analyze the overall impacts of the bilateral and multilateral trade agreements for developing countries and offers some evidence based substantial solutions focusing on reciprocity-based agreements. It is rather important to acknowledge that, there has been significant progress in terms of getting more opportunities and benefits from bilateral and multilateral trade agreements for the developing countries, but there are more scopes and opportunities to explore and implement in order to make these agreements more beneficial for the developing countries. I personally think that it would be very beneficial for the developing countries when both world organizations (like World Bank and IMF) and community of powerful countries collaboratively develop a framework integrated with policy reformation to advance the inclusive socioeconomic growth from these business agreements.

### **Impact of Trade Barriers on Developing Countries:**

Until now, the power imbalance and economic disempowerment of these less developed countries often cause significant challenges in obtaining equal opportunities while conducting trade and business agreements with developed countries. This paper addresses a few key issues such as power imbalance, strategic economic barriers, and protectionist policies that negatively impact fair foreign trade policies and trade agreements. Protectionist policies are mostly adopted by developed and powerful countries to secure domestic economies by increasing tariffs, the quota on export and import, subsidies, and other policies that negatively impact the foreign investors and

business partners (Rodrik 2018). Finally, this article summarizes the changes in policies and practices that took place between 1990 to 2018 to promote fairer and mutually beneficial trade policies that support less developed countries to gain more benefits and long-term growth from these deals.

### **Foreign Trade Policy Analysis:**

Foreign trade policy and business agreements play a crucial role in the overall sustainable, inclusive socio-economic growth for the poor, low-income, and less developed countries all over the world. Unfortunately, the less developed countries often find it difficult to negotiate with the powerful, developed, and more established countries for foreign trades and business agreements due to the power disparity. Further, the policy makers and trade negotiators from these less developed countries often perceive that they might need future financial and moral support and assistance from these developed countries to further their country's global position and socioeconomic growth. Moreover, the world supervisory organizations such as the International Monetary Fund, the World Bank, the World Trade Organization, and the United Nations constantly failed to recognize and address these issues to protect the best interest of the less developed countries in terms of foreign trade and business agreements.

A comprehensive comparative analysis conducted on the 154 least developed countries in the world between 1976 to 2000 shows that the less developed countries suffered financially in the long-term when they adopt the generalized system preferences (GSP) at the core of their multilateral foreign trade policies with developed countries (Robert Hunter Wade 2001; Ozden 2003a). This study also finds a statistically significant correlation between GSP vs. reciprocity based multi-lateral trade policies for less developed countries. When less developed countries adopted reciprocity-based multi-lateral trade policies compared to the GSP based trade policies,

they attained more rapid and collective economic empowerment (Ozden 2003a). In this study, the authors compared the overall economic and social impact of both types of trade agreements by measuring the changes in GDP and the expected result of those agreements. This study outlines the sheer importance of redesigning the framework for bilateral and multilateral trade policies which would ensure the equality in terms of getting equal opportunities in the agreement setting that benefits the less developed countries in the long run.

### **The marginalization of Developing Countries:**

Based on these exploratory research studies, analyses, and economic reports, the World Trade Organization finally stepped up and recognized the problematic practices in both bilateral and multilateral trade policies and business agreements between developed and less developed countries and implemented certain policy changes to promote the best interests of the less developed countries on 14th November 2001(Mingst 2003; Ozden 2003b). Unfortunately, within a period of the next ten years, the less developed countries still suffered from power disparity and the lack of equal opportunities in both bilateral and multilateral foreign trade policies.

Similarly, the economic marginalization of these less developed nations continued to increase due to the continued unequal practices in foreign trade policies and business agreements and the income inequality was on the rise all over the world. Mainly, the malicious practice of protectionist policies by a group of developed countries, high legal cost, and an ambiguous framework for the multilateral trade policies developed by the WTO left the less developed countries more disregarded and less favored (Walker 2011).

In addition, the less developed countries are continuously suffering from power inequity, lack of structural support from world supervisory organizations, and economic disempowerment when they come to the negotiation table for any type of bilateral and/or multilateral foreign trade

policies and business agreements with the developed countries. This results in consistent failure to attain equal opportunity and mutually beneficial outcomes for the less developed countries. That's why less developed countries often leave so much space in the trade agreement discussion and do not ask for equal opportunities and benefits while conducting foreign trade policies with developed countries.

In 2016, Bangladesh signed a bilateral memorandum of understanding (MOU) with China for future trade activities, mutual projects, and other developmental activities in which China agreed to pay bilateral assistance of \$34 billion in total. Similarly, India also agreed to pay bilateral assistance of a mere \$2 billion compared to the huge Chinese investments. Unfortunately, both China and India are playing a zero-sum game where it is difficult for the less developed countries like Bangladesh to negotiate for an equal opportunity in these bilateral joint agreements and projects and maximize benefits and obtain envisioned economic developments (Paul 2019; Hosain 2016). This is just another fine example of why certain less developed countries continually fail to achieve the developed status, improve their current economic condition, and get an equal place in either bilateral or multilateral foreign trade and business agreements with developed countries.

Accordingly, this study addresses the nature of the relationship between developed and less developed countries, while conducting foreign trade policy and business agreements. Over the last four decades (1976-2018), the marginality of these South Asian less developed countries continued to increase, and these countries failed to address these issues in a global platform, raise concerns, redesign the mutual agreement framework, and implement certain policy reformation to better the situation. Additionally, global organizations also failed to protect equal rights and a mutually beneficial trade environment for these countries (Robert H. Wade 2018). Although the WTO did take some initial steps back in 2001 it was very ambiguous, vague, and not helpful to improve the

current condition of these less developed countries' situation in bilateral and multilateral trade and business agreements.

In addition, this paper argues that, in order to reduce the ever-increasing disparity between less developed countries and developed countries in terms of inclusive socioeconomic growth and sustainable development, all the global organizations such as the World Bank, the World Trade Organization, and the International Monetary Fund (IMF) are recommended to work together to redesign the foreign trade policies with clearer and equal opportunities for all stakeholders. Furthermore, the less developed countries are recommended to recognize, assess, and prioritize their needs, developmental activities, and urgent socioeconomic gaps that require foreign financial assistance.

### **Conclusion:**

All three main research studies that were covered in this paper address the issue of unequal platforms for developing countries in both bilateral and multilateral business and trade agreements with developed countries. Regardless, these three research studies were published in different decades, and still, the underlying concerns for developing countries in bilateral and multilateral business and trade agreements with developed countries almost stayed the same. On the bright side, the recent studies are focusing more on particular policy reformation and guided agreements to support and facilitate the developing countries, but there are still existing gaps present to fix these ongoing issues (Wade 1992; Ozden 2003; Bist and Read 2018). I also acknowledge that the situation is much better in recent times for developing countries compared to the 1990s and 2000s when developing countries suffered more in those situations.

In summary, making sure how to negotiate in an equal platform is not an easy task to perform for the less developed and low-income countries. At the same time, recognizing and

addressing these issues and ending the illiberal trade practices is ultimately very beneficial for both parties. Reviewed together, these collaborative research studies and economic reports address some important gaps and deficiencies in both bilateral and multilateral trade and business agreements where the marginality of the less developed and lower income countries continues to relegate. It is high time for the economists, policy analysts, world leaders, and world governing organizations to come together and implement and practice such bilateral and multilateral trade policies and business agreements that reduce the marginality of the less developed countries and ultimately result in inclusive socio-economic growth for the global community. However, I also recognize that this is an iterative developmental process, but I also strongly believe that together we would be able to develop and promote the equal space for developing countries to attain more benefits from these bilateral and multilateral business and trade agreements. I strongly agree with Wade (2018) that practicing shared understanding would help to recognize the problems and advance policy development. These collective actions would result in reduced problematic situations for developing countries to conduct bilateral and multilateral trade and business agreements with developed countries.

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