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## Strategy for Achieving Trade Balance

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### Abstract

This Paper deals with the issue of international trade strategy in achieving trade balance. The author claims that the efforts of policymakers and business leaders to find ways to achieve trade balance should imply greater coherency between trade and human rights objectives.

*Keywords:* World Trade Organisation, Least Developed Countries, general agreements on trades and tariffs, International Labour Organisation.

### Introduction

In today's world of unprecedented technological and economic advances, the majority of the world population has not been able to share in this prosperity. Persistent poverty still remains in many parts of the world, and this human tragedy is one of the most pressing problems in our time.

Nevertheless, despite some efforts by international organisations, poverty does not seem to receive priority consideration from leading nations that could provide key political and economic support toward resolving this problem. Consider this issue from another perspective: not only is the relief of persistent poverty our moral obligation but it is also consistent with our long-term security interest because societies with adequate economic resources are less likely to foster violence and terrorism that has torn our world apart throughout history.

How can this problem of poverty be resolved? Poor countries cannot indefinitely depend on donations from outside, even if such donations could be provided; the only lasting solution would be to create an economy in these countries through economic development that would provide inhabitants with adequate resources and sustain their living standard beyond subsistence. How can poor nations build such an economy? It has been suggested that poverty is not simply a result of bad economic policy; various

political, social, and even cultural problems have also been cited as causes of poverty. Because these causes are rather various and complex, many believe that, no simple solution to poverty is universally applicable. In each individual case, political, social, economic and cultural practice and institutions that hamper economic development should first be identified; then specific remedies for each of these problems would have to be applied. In many cases, these problems are simply too difficult and complex to solve, therefore poverty remains [1].

Certain developing economies have combated these problems successfully and have achieved impressive economic development in the past decades. For these economies, international trade has been an important vehicle for successful economic development. The legal framework for international trade controls which development policies can be implemented in conjunction with international trade and the way in which they are implemented. Therefore, trade disciplines are quite relevant to poverty and development. The specific regulatory requirements of trade disciplines affect the ability of developing countries to adopt effective development policies. I discuss throughout this topic why this is the case and what changes should be made in the current trade disciplines to achieve the trade balance.

### **Balance between uncertainty and speed of economic adjustment policies**

This section seeks to explore uncertainty and speed of adjustment policies, which can largely impact on the level of trade instability in a state. To begin with, it is worth mentioning that all economic policies are undertaken in an environment of uncertainty; however, in this case balance-of-payments stabilisation programmes appear to involve relatively serious risks. For instance, the typical LDC (the Least Developed Countries) economy is vulnerable to many different shocks: weather affects the production of crops or food export, or unforeseeable variations in the international terms of trade can be quite violent. Other international factors can also be important; for example, the floating interest rate that determines debt service on much of previously contracted debt which may rise unexpectedly. A recession or change in immigration policy abroad can also upset the calculations of labour-exporting countries [2].

On the one hand, there are analysts who believe that rapid action will be economically successful. If the credibility of the authorities' commitment to reform is not established quickly, individuals and firms may hesitate to respond by, for instance, increasing exports. They will fear that promises may not be kept or that partially implemented policies may even be reversed, thereby rendering their actions unprofitable. Furthermore, some policies must be implemented without warning in order to avoid costly speculation. If a large devaluation is anticipated, attempts to shift out the domestic currency will result either in a large loss of foreign-exchange reserves or in the need to impose extensive restrictions.

On the other hand, the need to act in an uncertain environment with imperfect knowledge about economic structure suggests the desirability of proceeding slowly, in case if the availability of foreign exchange and other constraints make this strategy possible. An important point is that by providing loans during the adjustment process, the IMF programmes lessen economic risks. From the economic point of view, there are important arguments for rapid implementation, especially with regard to devaluation. The case for quick adjustment is the strongest when the information about the structure of the economy is reliable and wage and price rigidities are not important. However, primarily political considerations are also relevant to decisions about the speed of adjustment.

The early success or failure of policies implemented after agreements by the IMF itself affects stability or instability. Thus, many factors affect stability within countries. Some of these factors are external to a country's internal politics: the weather, for example, or changes in the price of commodities. Usually, external factors interact in complicated ways with domestic social and political structures to produce shifts in power relationships between groups. To conclude, it is important to highlight the role of political choice in producing the resource course, underscoring the importance of what might be called structured contingency in mediating the relationship between resources and political and economic outcomes.

### **Facilitation of development in WTO provisions**

How have GATT/WTO disciplines treated the issue of development? In the early period of the GATT, not much progress was made in meeting development objectives, but attention to the importance of development grew over time as the participation of developing countries increased. With the majority of membership composed of developing countries, development has become a major issue in the WTO. The WTO Agreement (i.e., the Marrakesh Agreement Establishing the WTO) includes the facilitation of development among its major objectives.

Its preamble provides in relevant part:

“Recognising further that there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development” [3].

The WTO recognises the role of international trade in development and the need to ensure that developing countries share in the growth of international trade. The first Ministerial Conference, which took place on December 9–13, addressed the importance of integrating developing countries in the multilateral trading system for their economic development [4]. To facilitate this integration, it recalled “that the WTO Agreement embodies provisions conferring differential and more favourable treatment for developing

countries, including special attention to the particular situation of least-developed countries". Trade facilitation is an important part of development strategy and needs to be supported by the WTO.

### **Balance of trade: human rights in the trade arena**

Trade is an opportunity for a country's growth and for the advancement of these human rights. At the same time, trade can also have a negative influence on these human rights. Although scholars, policymakers, and activists have long debated the relationship between trade and human rights, in fact we still know very little about that relationship. Scholars are only beginning to study empirically the effects of trade or particular trade agreements on individual rights, and they have just started to examine which rights (such as property rights or the right to equality before the law) must be protected by governments for trade to flourish. Nonetheless, current studies seem to indicate that, over time, trade policies and agreements and the trade they stimulate could (even simultaneously) undermine some rights and enhance others.

The ILO's 1998 Declaration of Fundamental Principles and Rights at Work enumerates a short list of core international labour standards that are defined more fully in eight background Covenants incorporated by reference, namely, freedom of association and collective bargaining, the elimination of forced labour, the elimination of child labour, and the elimination of discrimination in employment, which is also consistent with the characterisation of certain core labour standards or rights as human rights, especially that guarantee basic freedom of choice in employment relations [5]. Labour standards have been used in the Generalised System of Preferences a preferential system to provide duty free access to exports of developing countries by (most notably) the European Union and the United States of America. Currently, there is a revision of the EU's GSP scheme, the potential implications of which may be considerable given that the new GSP plus scheme appears to target not only ratification of the fundamental Conventions, but also application of Conventions in line with comments from the ILO supervisory bodies. This has the potential to be very problematic for employers.

Anartya Seb in his book "Development as Freedom" argues that basic goals of development can be conceived of in universalistic terms where individual well-being can plausibly be viewed as entailing certain basic freedoms irrespective of cultural context:

- 1) freedom to engage in political criticism and association;
- 2) freedom to engage in market transactions;
- 3) freedom from the ravages of preventable or curable disease;
- 4) freedom from the disabling effects of illiteracy and lack of basic education;
- 5) freedom from extreme material privation [6].

According to Sen, these freedoms have both intrinsic and instrumental value. Importantly, in contrast to the unfair competition and race to the bottom rationales for linking international trade policy and international labour standards, the human rights

perspective focuses primarily on the welfare of citizens in exporting, not importing countries. The assumption underlying this concern for basic or universal human rights is that failure to respect them in any country is either a reflection of the decision of unrepresentative or repressive governments rather than the will of the citizens or a sign of the majoritarian oppression of minorities, for example, children, women or racial religious minorities; alternatively, there may be paternalistic concerns that citizens in other countries have made uninformed or ill-advised choices to forgo these basic rights.

## Conclusion

All members of the WTO must adhere to certain principles as they make trade policy. They must automatically extend the best trade conditions granted to one member to every other nation that belongs to the WTO. They must treat products of foreign firms in the same way they do products of local firms. Policymakers cannot discriminate between products originating in different countries nor between imported goods and like domestically produced goods. If member states do not adhere to the rules, they may find their trade policies subject to trade disputes at the WTO. I think, within these structures, countries have considerable flexibility under WTO rules to protect human rights at home or abroad. Member states can use trade waivers and exception to promote human rights abroad or at home. They occasionally bring up human rights during accessions and trade policy review. Furthermore, human rights concerns have seeped into WTO and GATT negotiations, although many WTO members still see human rights concerns as “non-trade” issues.

The author recommends:

- 1) to make a policy determination that trade and human rights should be coordinated (respond to public concerns, make strategies to address globalisation more coherently);
- 2) to reform national trade policymaking process (for example: develop a channel for human rights concerns to enter the policymaking process; set up an advisory system);
- 3) to task advisors or weigh human rights concerns (ask the right questions when making public policy decision);
- 4) to create coalition of the willing at the WTO (member states should jointly request the WTO to study the relationship between WTO rules and human rights rules);
- 5) to clarify relationship (member states should request that WTO staff examine how social labelling and procurement policies can be designed so they do not distort trade);
- 6) to explore human rights impact assessments (governments and foundations should fund research and testing of human rights assessments).

## Stratēģija tirdzniecības bilances sasniegšanai

### Kopsavilkums

Šajā rakstā aplūkots jautājums par starptautiskās tirdzniecības stratēģiju tirdzniecības bilances sasniegšanai. Autors apgalvo, ka politikas veidotāju un uzņēmumu vadītāju centieniem atrast veidus, kā panākt tirdzniecības līdzsvaru, vajadzētu nozīmēt lielāku saskaņotību starp tirdzniecības un cilvēktiesību mērķiem.

*Atslēgvārdi:* Pasaules Tirdzniecības organizācija, vismazāk attīstītās valstis, Vispārējā vienošanās par tarifiem un tirdzniecību, Starptautiskā Darba organizācija.

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