Chapter 1

Small States in the Multilateral Trading System: An Overview

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1.1 Introduction

> *Small vulnerable economies recognize that given their size, it is impossible for them to integrate into the global economy without forming alliances with many countries, groups, commercial interests and geographies. However, because of limited leverage, multilateral negotiations are a valued option as they allow small countries to benefit from group negotiating efforts.* – Dr Marion Williams, Ambassador of Barbados in Geneva[1]

The World Trade Organization (WTO), created by the Marrakesh Agreement in 1995, sought to develop 'an integrated, more viable and durable multilateral trading system' (WTO 1999). To date, the trade body has a diverse membership of 161 countries, including developed, developing and least-developed countries (LDCs). This diverse membership often faces a series of problems of Byzantine complexity when addressing the initial mandate of 'raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services…' (WTO 1999).

Although the rules-based multilateral trading system (MTS) gained in prominence with the establishment of the WTO in 1995, the participation of countries in global trade initiatives goes back almost half a century further (see Table 1.1). The Uruguay

Table 1.1 Rounds of multilateral trade negotiations

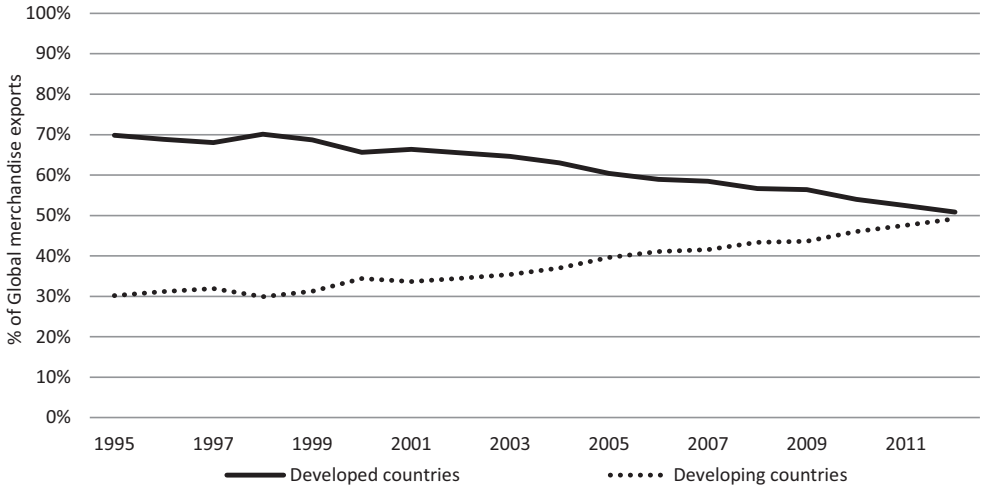
Year	Round	Contracting parties/members	Commonwealth small states involved in negotiations
1947	Geneva	23	–
1949	Annecy	13	–
1950–1951	Torquay	38	–
1956	Geneva	26	–
1960–1961	The Dillon Round	26	–
1964–1967	The Kennedy Round	62	5
1973–1979	The Tokyo Round	102	7
1986–1994	The Uruguay Round	123	23
2001–ongoing	The Doha Development Round	161	27[2]

Round, which resulted in the establishment of the WTO, was preceded by a series of rounds of trade negotiations with roots dating as far back as 1947, following the end of World War II and the establishment of the General Agreement on Tariffs and Trade (GATT). The GATT 1947 text provides the basic principles and rules for the MTS and has been carried over into the WTO through GATT 1994.

Since 1995, there has been a rapid evolution in the membership of the WTO, in both numbers and composition: it has grown from 23 original contracting parties of GATT 1947 to 128 members of the WTO in 1995 and 161 in 2014. The political dynamics of the organisation have changed, with a gradual power shift from major developed economies – the Quad[3] – towards large developing economies such as India and China, with the latter group of countries playing an increasingly prominent part in the WTO decision-making process. Developing countries have become more active in WTO activities such as implementing commitments from the Uruguay Round agreements, negotiating new ones and making use of the Trade Policy Review Mechanism and the WTO Dispute Settlement Mechanism (see Chapter 3 of this publication). Although much remains to be done to enhance the participation of developing countries in the MTS, progress has been achieved in certain areas, such as representation in informal group meetings, capacity-building and technical assistance programmes, as well as recognition of specific problems pertaining to certain groups of countries.

This increased participation of developing countries in the world trading system reflects their rising economic prominence and the emergence of a multipolar world. Developing countries'[4] share of global trade has risen dramatically since the mid-1990s; their exports have expanded to 49 per cent of world merchandise exports (see Figure 1.1). South–South trade (trade between developing countries) has doubled since 2000 and now represents almost one-third of the total world exports.[5] Similarly,

Figure 1.1 Global merchandise exports



Source: Authors' estimates using UNCTAD data (2014)

developing countries' share of world gross domestic product (GDP) has more than doubled from 18 per cent in 1995 to almost 40 per cent in 2013.[6]

Despite these advancements in developing countries' participation in the MTS and in global trade, the advancements have been concentrated in large emerging economies, and many countries remain disadvantaged in their quest to integrate and derive benefit from the MTS owing to their inherent characteristics of smallness, being land- and sea-locked or being otherwise geographically disadvantaged. This group of countries, commonly referred to as small states, are the focus of this publication.[7] This is a diverse group that faces unique challenges when it comes to international trade. Over the past two decades, global awareness of the challenges and vulnerabilities faced by small states has increased enormously; however, as will be evinced in this chapter, this has not translated into any noticeable impact on the actual trade performance of small states.

The MTS has also been subjected to frequent criticism in recent years, especially with regard to its failure to deliver on the promises of the Doha Development Round. However, with the proliferation of regional- and mega-trading blocs across the world, the MTS still affords protection to the smallest and least developed of its member states within the global trading environment. The outcome reached in 2013 in Bali during the ninth WTO Ministerial Conference, which included a Trade Facilitation Agreement, is providing fresh impetus to the negotiations and contributing to rebuilding confidence in the system. Therefore, the time is opportune to undertake a thorough examination of the systemic issues underpinning the institutional functioning of the MTS and to seek more effective ways to deliver on results for small states.

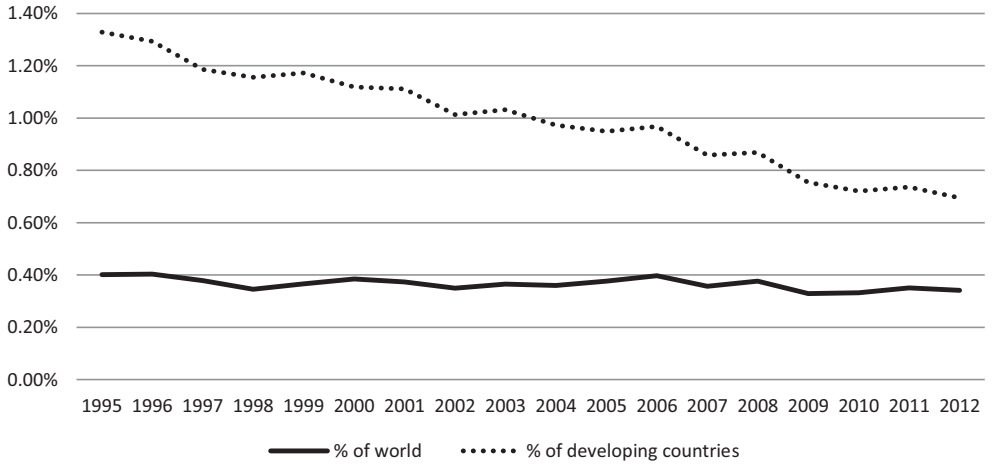
This first chapter describes the political and economic evolution of small states within the context of a changing MTS and a changing global trade landscape. With a brief mention of the changing dynamics of the MTS and the factors that have influenced the transformation of global trade over the last two decades, this chapter provides an overview of small states' participation in global trade and in the WTO and a brief description of what the rest of the book will contain.

1.2 Small states in global trade

1.2.1 Trade trends, growth and composition

Historically, small states have been marginalised in world trade. Their share of global export exhibits a clear declining trend from the 1980s onwards, along with a decline in their share of total global trade transactions (Grynberg and Razzaque 2004). Approximately 60 per cent of Commonwealth small states (CSS)[8] exports are goods, which have increased in value from approximately US$21 billion in 1995 to US$63 billion in 2012.[9] However, growth in trade has been slower than for other developing countries;[10] a comparison of average annual growth rates of merchandise exports since 2000 suggests that CSS have had slower growth than LDCs and developing countries as a whole.[11] As well as having relatively slow export growth rates compared with the rest of the South, CSS have a declining share in global trade. CSS exports

Figure 1.2 CSS share of world and developing country merchandise exports

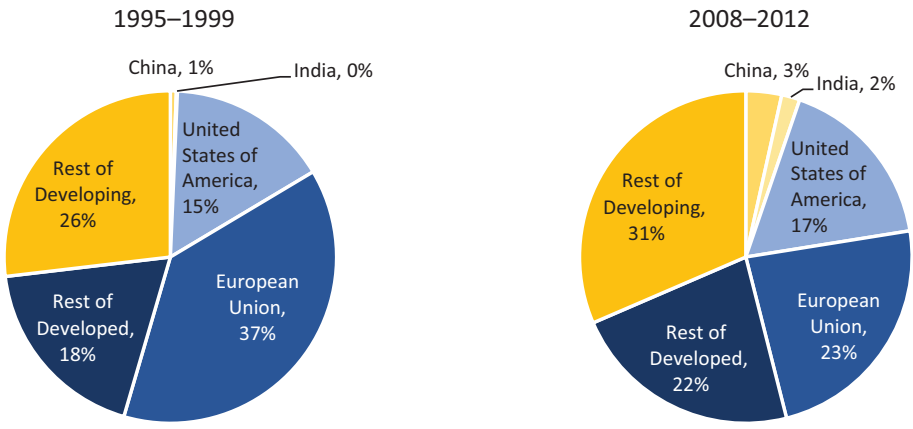


Source: Authors' estimates using UNCTAD data (2014)

currently make up 0.34 per cent of total world export trade, and this has decreased from 0.40 per cent in 1995. There has been a more noticeable decline in the CSS share of developing countries' exports since 1995: from 1.33 per cent in 1995 to 0.69 per cent in 2012 (see Figure 1.2). These declining figures suggest that CSS will continue to struggle to participate in world trade.

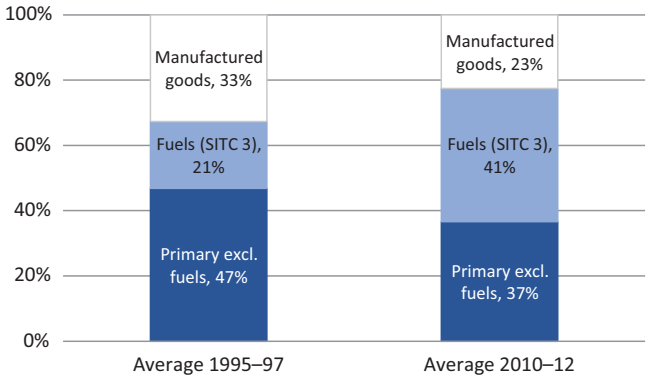
In 2012, out of approximately US$63 billion in CSS exports, approximately US$22 billion went to developing countries and US$41 billion went to developed countries.[12] The majority of CSS trade still occurs with traditional Northern partners such as the European Union (EU), although Southern partners' shares continue to grow. The EU accounts for the largest share of CSS exports, approximately 23 per cent (see Figure 1.3). In terms of CSS trade with the faster growing developing countries, the most

Figure 1.3 CSS merchandise export destinations



Source: Authors' estimates using UNCTAD data (2014)

Figure 1.4 Composition of CSS merchandise exports



Source: Authors' estimates using UNCTAD data (2014)

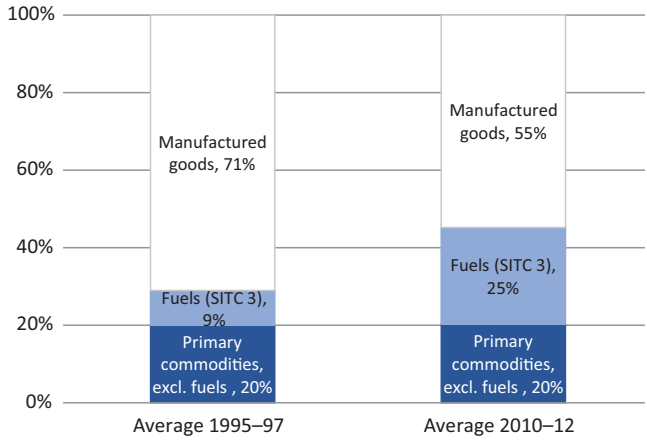
notable increase has been in exports to China and India.[13] Since 1995, China's share in the CSS export market has grown from 1 per cent to 3 per cent of total CSS exports, and similarly India's share has grown from less than 1 per cent to 2 per cent.

CSS imports also mostly originate from developed countries. The EU and the USA accounted for approximately one-third of the total CSS imports in 2012, although their shares appear to be declining over time, as imports from developing countries have grown at a faster rate than developed country imports. The largest Southern trading partners are South Africa, China, Singapore and India. Both China and India have greatly increased their shares of CSS imports since 1995, from 1 per cent each to 7 per cent and 4 per cent respectively in 2012. In 2012, of a total of US$81 billion in CSS imports, 57 per cent came from developing countries.[14]

A small minority of 'oil-rich' countries have a relatively large volume of fuel exports that dominate the exports of CSS as a group. Brunei Darussalam and Trinidad and Tobago represented over 40 per cent of the total exports for the group in 2012, and over 65 per cent of their merchandise exports were fuel. Looking at the rest of the CSS, most countries are exporting mainly primary commodities. In 2012, CSS merchandise exports comprised approximately 41 per cent fuels, 37 per cent other primary commodities and only 21 per cent manufactured goods[15] (see Figure 1.4). Given the small size of the manufacturing sector in many small states, it is not surprising that over half of all CSS imports are manufactured goods and that fuel imports are increasing (see Figure 1.5).

Services trade is an important growing sector for many developing countries, and this is also the case for small states (see Chapter 6 of this publication). CSS' services exports have more than doubled since 2000, reaching US$31 billion in 2012.[16] All CSS are increasing their trade in services, mainly in travel-related services, although the group is experiencing slower export growth than developing countries as a whole. As is the case with goods trade, small states' share in global services trade is shrinking. Since 2000, the average annual export growth rate for the group of CSS has been approximately 6 per cent, compared with developing countries' growth rate of 12

Figure 1.5 Composition of CSS merchandise imports



Source: Authors' estimates using UNCTAD data (2014)

per cent and the world average of 9 per cent.[17] Again, their share in the overall world services trade is small; CSS service exports represented only 0.7 per cent of total world service exports in 2012. Their share has declined from 1.1 per cent in 1999.

Overall, these trade trends suggest a lack of export diversification and reliance on imports of manufactured goods. Small states are largely characterised by the instability of their exports, in both goods (through a dependence on primary commodities) and services (through a dependence on travel and tourism). However, at the same time, trade and, in particular, the export sector play an imperative part in the development of small states. Compared with other countries, a higher proportion of small states' GDP is linked to trade,[18] the implications of which can be that they are more heavily subject to fluctuating commodity prices and unpredictable political situations that can have negative impacts on their long-term economic stability and growth.

1.2.2 Removing trade barriers for small states

The relatively slow growth and marginalisation of CSS in global trade has been attributed largely to the specific barriers they face with regard to diversifying their export base and developing their economies. When compared with developing countries in general, small states have been found to face higher export-related costs owing to their geographic remoteness (many are islands or landlocked countries) and other factors that can undermine their economic competitiveness.[19] Given the position of small states in the changing global economy and the trade challenges that come with small states' inherent characteristics, the role of international development initiatives is paramount in strengthening the participation of small states in the MTS. In the future, both tariff and non-tariff barriers to trade in small states need to be addressed.[20]

According to WTO data, developed countries have generally bound tariffs at relatively low levels; for instance, the UK average of most-favoured nation (MFN) tariffs for

Table 1.2 Tariff averages in 2014 (or latest year available)[22]

Country	Average MFN tariff (%) for all products
United Kingdom	3.7
United States of America	2.0
China	12.2
Brazil	12.3
India	13.9
Russian Federation	8.9
South Africa	7.6

all products was 3.7 per cent in 2014[21] (see Table 1.2). In contrast, many developing countries have bound tariffs at a high rate, even at 100 per cent, and applied tariffs at 10–20 per cent. As the global economy is shifting from traditional patterns of trade between the North and South to incorporate more South–South trade, developing countries must deal with higher tariffs from other developing countries. In most cases, small states do not receive preferential tariff rates from other large Southern countries (WTO 2015).

Other than tariff barriers, CSS face a host of non-tariff barriers for their exports. The lack of domestic capacity to comply with the requirements of export markets for their products put them at a serious disadvantage vis-à-vis more advanced developing countries. Recent studies suggest that the costs of compliance with non-tariff barriers have greater impact on small and medium-size firms and in particular those in small states (Lacey and Draper in press). For small states, even marginal increases in production costs can have severe adverse impacts on trade (Lacey and Draper in press). Enhancing domestic technical capacity in these areas and investment in infrastructure, such as adequately equipped laboratories for testing, will help small states to develop their export potential. Given the number of resources involved, consideration could also be given to regional initiatives in these specific areas, such as pooling of regional resources to set up regional infrastructure.

There is the potential for small states to maximise on the available opportunities in the coming years, but this will require careful and strategic choices. For instance, instead of focusing on traditional markets in the North, should CSS be rethinking their negotiation strategies in the Doha Round and beyond to focus their efforts on improving their trade access with the South? The Aid for Trade (AfT) initiative can be geared towards strengthening the supply-side and trade-related infrastructure of small states (see Chapter 5 of this publication). Another potential area for attention includes connecting small states to regional and global value chains, linking directly to economic development and growth. Furthermore, the newly adopted Trade Facilitation Agreement could help to reduce the costs of trade and enhance the flow of goods across borders, as it includes explicit provisions for technical assistance and capacity-building.

1.3 Small states in multilateral trade negotiations

1.3.1 Small states' participation in WTO processes

The participation of small states can be examined through various aspects of the WTO system: its negotiations processes, the various coalitions to which the small states belong and the extent to which they have been successful in advocating their interests.[23] Coalitions are often formed on the basis of geographical regions and historical ties and are likely to be issue based. The proliferation of informal groups and coalitions in the WTO reflects the fragmentation of major country blocs into small constituents that have common positions on particular issues. For instance, the current WTO texts[24] on modalities for agriculture and non-agricultural market access (NAMA) contain no fewer than 30 explicit references to countries based on specific characteristics and suggesting proposals for special treatment (e.g. small vulnerable economies (SVEs), countries with low binding coverage, recently acceded members).[25] Although this fragmentation reflects the political dynamics of the MTS and the multiplicity of issues, it is also, to a certain extent, attributable to the diversity of the membership, the characteristics of each member and their aspirations from participation in the MTS.

Historically in the GATT, the broad categorisation of developed, developing and least-developed countries was prevalent and possibly sufficient; informal groups were not as widespread as today. The question of whether or not developing countries can be differentiated based on their characteristics remains a point of much contention. Although many developing countries, especially the larger ones, have resisted any move to differentiate or create sub-categories of membership in the WTO, there is growing pressure to recognise that some categories of developing countries may not be affected in the same way as others. In one of its decisions, in a case brought by India against the EU over tariff preferences, the WTO Appellate Body concluded that 'developing countries' could be differentiated provided they meet certain special conditions, namely 'development, financial and trade needs to which the treatment in question is intended to respond'.[26] Although this decision was made in a specific dispute case, it certainly provides elements for reflection on whether all developing countries should be put in the same category or whether there are merits in considering the specific conditions faced by some of them, and the specific problems they encounter as a result.

Nevertheless, the WTO landscape has changed dramatically over the past 20 years and many groups other than developed, developing and least-developed countries have emerged with their own set of characteristics and issue-based concerns. The variety of issues being discussed and the diversity of national interests oblige countries to enter into these alliances and adhere to like-minded groups to assert their presence and make their voice heard. The biggest group of developing countries operating in the WTO is the G-90, which is composed of the African, Caribbean and Pacific group of states (ACP), the LDCs and the African Group. The typical process is for the African Group, the ACP and the LDCs to meet separately to come up with their own position papers. The G-90 group is then convened to harmonise positions into

one common paper. The G-90 group of countries was particularly active during the WTO Ministerial Conferences in Cancun (2003), Hong Kong (2005) and Geneva (2009). CSS have relied extensively on major developing country groupings such as the ACP or the African Group to defend their interests and have aligned their position with these groups on specific issues. In recent years, they have become more actively involved in the SVE group. The SVE is an informal group operating in the WTO composed of 25 member countries[27] that emerged in the aftermath of the Uruguay Round. The first reference to 'small economies' in a WTO Ministerial document can be found in the Ministerial Declaration adopted in 1998 at a meeting in Geneva. In paragraph 6 of that document, Ministers expressed deep concern at the marginalisation of LDCs and of 'certain small economies', and recognised the urgent need to address this situation. An informal group came into being and has since been continuously advocating to its members that issues of specific concern be addressed in order to ensure their greater participation in the MTS and for them to derive benefit from international trade. Following the agreement by Ministers at the Doha Ministerial Conference to establish a work programme 'to frame responses to the trade-related issues identified for the fuller integration of small, vulnerable economies into the multilateral trading system', a dedicated body in the WTO under the aegis of the Committee on Trade and Development was set up. Some of the inherent characteristics of SVEs include physical isolation and distance from the main markets, minimal shares of world trade, low productivity and insufficient supply, inability to diversify production, high transport and transit costs, difficulties in attracting foreign investment and low competitiveness (Smith 2009). SVEs are, however, not recognised formally as a category on their own, even though certain decisions can be attributed directly to them.[28] As is made clear in the Agreed Framework, SVEs are not meant to form any sub-category of members. According to the current modalities texts, an SVE is defined as a country whose average share for 1999–2004 (1) of world merchandise trade does not exceed 0.16 per cent, (2) of world NAMA trade does not exceed 0.10 per cent and (3) of world agricultural trade does not exceed 0.40 per cent.

The above definition for SVEs in the WTO is, however, not universally used for defining small states, especially when addressing a broader set of problems faced by these countries in other forums. The Commonwealth, for example, defines small states as sovereign states with a population size of 1.5 million people or less. Larger member countries – Botswana, Jamaica, Lesotho, Namibia and Papua New Guinea – are designated as small states because they share many characteristics with small states. Of the 53 Commonwealth member countries, 31 are small states. With the exception of Malta and Cyprus, which are developed country members in the WTO, all Commonwealth small state members of the WTO are members of the SVEs group. Although most CSS are founding members of the WTO, a few, including Samoa, Tonga and Vanuatu, had to undergo the complex accession process. Seychelles recently completed its accession process and joined the WTO in 2014. Among the reasons advanced for becoming a member of the WTO is the protection afforded by the rules-based system, where the consensus rule still prevails. It also provides a platform for countries, irrespective of size, to make their voice heard at the global level.

Despite the benefits that come with being a member of the WTO, participation in the MTS and the WTO is a complex process. The system has been put under serious strain with a WTO negotiations process that has been ongoing since 2001. This has put the whole system at risk and has subjected it to severe criticism on its capacity as a forum for negotiating and delivering results. Understanding and participating effectively remains a daunting challenge, particularly for small states that are confronted with limited human, technical and financial resources and a number of socio-economic priority issues to deal with at national and regional levels. In Geneva alone, there are numerous formal committees and sub-committees engaged in the implementation of WTO covered agreements and the current Doha Development Agenda (DDA) negotiations. Member states of the WTO must now attend an impressive number of at least 3,000 meetings per year (Hamilton and Langhorne 2010). In addition, there are several like-minded groups, often meeting in an informal mode, in which small states participate. These alliances and groupings have become more active in the course of the ongoing DDA negotiations. Some of these alliances are issue based, such as the G-33, which represents a coalition of developing countries pressing for flexibility for developing countries to undertake limited market opening in agriculture on 'special products'.[29] Some of the groups are composed exclusively of developed or developing countries, whereas others include a mix of developed and developing countries, such as the Cairns Group.[30] In addition, small states often sit alongside larger developing countries in the African Group or the G-33.

Traditionally, the majority of small states have adopted a defensive approach; they have been wary of embracing ambitious trade liberalisation and taking commitment beyond their implementation capacity at the multilateral level, be it on international trade matters or global regulations. At first, in the GATT and even the WTO, the interests of developing countries and LDCs were limited to seeking special and differential treatment in the form of longer implementation periods or lower levels of commitment as a group. However, nowadays, these countries' interests do not necessarily converge on all issues. On certain negotiating issues such as agriculture, there are substantial differences in positions among developing countries. Certain developing countries, including small ones, show a growing inclination towards an offensive approach on market access, trade facilitation and seeking technical support to fully integrate and participate actively in the MTS. For example, in the Negotiating Group on Trade Facilitation, it was fairly common to come across negotiating proposals jointly sponsored by developed and small developing countries. More recently, in 2015, Mauritius announced its intention to join the Trade in Services Agreement (TiSA), a plurilateral agreement being negotiated outside the framework of the WTO round of multilateral trade negotiations.

Small states are increasingly using existing agreements and flexibilities to pursue developmental goals, while also ensuring that future agreements bring benefits to the population at large. In the Committee on Subsidies and Countervailing measures, a group of small countries has been given a special time extension until the end of 2015 for the phasing out of certain export subsidy programmes that are essential for their industrial and economic development.[31] Some of the other proposals put

forward by the SVEs group include technical support and assistance as necessary to help them implement their obligations in the areas of sanitary and phytosanitary measures, technical barriers to trade and the Agreement on Trade-Related Aspects of Intellectual Property Rights, and thereby facilitate their fuller integration into the MTS.

Throughout the current negotiating texts in the context of the DDA, there are specific references to 'small, vulnerable economies', 'recently acceded members' and 'preference dependent countries', to name a few. Proposals have also been made by SVEs in negotiating areas such as fisheries subsidies – the fisheries sector being of vital socio-economic importance for many of them – and trade facilitation, which can help in reducing the cost of trading, especially for those SVEs that are either sea- or land-locked or a significant distance away from major markets. In both agriculture and NAMA, the ACP, which includes a number of CSS, has been fighting for consideration to be given to the erosion of preferential market access in its traditional markets of the EU and USA. Many ACP small states are affected by the erosion of their preferential access to traditional markets. In the NAMA negotiations, the ACP, in a submission, demonstrated the vulnerability of ACP countries as a result of a high dependence on only a few exported products and a few markets.[32]

The flexibilities in existing agreements and references in negotiating texts are a result of numerous proposals and submissions tabled, sustained and arduous advocacy and activism on the part of the *demandeurs.* This represents several years of regulation and mobilisation of tremendous resources on the part of small states.

1.3.2 Coping with the expanding MTS agenda

Despite some positive advancements since the conclusion of the Uruguay Round, much remains to be done for small states to become active players in the MTS and for them to start deriving meaningful economic benefits from it. In addition to adhering to global trade rules set up by the international community, a country also has to develop its productive capacity to take advantage of new opportunities created by the lowering of trade barriers. Hence, the capacity to produce and export, that is, trade development, should work in unison with the global trade rules and the trade liberalisation process for development benefits to be derived and to filter down to the population. Another complicating factor with regard to the participation of small states in the system is that the multilateral trade agenda is ever evolving, expanding and constantly being overloaded with issues, which are either directly or indirectly of interest to small states and require their full attention and action. Some issues such as food security, climate change and trade finance are gaining more and more prominence in the WTO and are of strategic and economic interest for CSS. Whether or not the WTO is the right forum to address some of these issues is debatable, but, nevertheless, the major economic interests, including income and employment for the population, are at stake and countries need to be fully aware of the latest developments in the WTO, be vigilant and stand ready to defend their interests when necessary. Some decisions can have devastating consequences on their economies; this was the case for small ACP countries when traditional preferential access to the

EU market was lost following WTO decisions of EU preferential regimes for sugar, bananas and other products.

Given the changing global trade landscape, looking at participation in the MTS and trade policies in isolation from what is happening in the rest of the world is the wrong approach. Proliferation of regional trade agreements and the rise of mega-trading blocs is definitely having an impact on countries' levels of engagement with the WTO. Should the multilateral process be the first and best option for CSS, given their trade agendas and development goals? Views will certainly differ. 'On response to the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP) and Trade in Services Agreement (TiSA), the ideal would involve a rapid and dynamic resuscitation of multilateral negotiations led by the excluded countries' (Rollo and Parra 2014). Resource-constrained small countries might have to reconsider their priorities, undertake analytical studies and re-adjust their trade policies based on new trends. With the rise of regional trade agreements, there are likely to be trade creation and regulatory convergences, but also trade diversion and deflection. These represent both opportunities and challenges for small states.

A group approach

In the 1960s and 1970s, a group approach worked pretty well within the United Nations (UN) system and small countries could participate in discussions. However, soon afterwards, particularly in the context of the G-77 discussion forum (named for the 77 developing countries that formed the original coalition in the United Nations Conference on Trade and Development (UNCTAD) I in 1964), major divergences started to emerge between developing countries, weakening the group as a whole. This led to a proliferation of groupings and alliances, often with overlapping membership. Such groupings are broadly representative of the different interests of their members. However, a country has to be careful about relying too heavily on its group membership and the practice of 'coalition diplomacy', as this would imply that most of the time it would have to align itself with the group's position and it might prove difficult to go against the majority. In the African Group, for example, positions may diverge between small economy members and members of the Cairns Group on topics such as agriculture. Even within the SVEs group, positions may diverge among members on the level of ambition for market access liberalisation and yet converge on special and differential treatment issues. There is a further weakness of a group approach. To achieve consensus in the group, very often, the only way to reconcile divergent interests is through 'constructive ambiguities' (i.e. using language that will accommodate all members and help in reaching a consensus). Sensitive areas in the negotiations have been agriculture and NAMA, where interests among member states may differ substantially. This situation does not contribute to strengthening the position of the group, as the 'constructive ambiguities' may surface later in the negotiations and result in unforeseen blockages due to differences in interpretation. Representation in 'Green Rooms', the informal meetings convened by the WTO Director-General on specific negotiations issues, has also been a major concern, especially in terms of representation and inclusiveness in these meetings.

Diplomatic representation

Having diplomatic representation in capitals where major trade issues are discussed, such as Geneva, New York or Brussels, is of critical importance in enhancing the participation of countries in the MTS and allowing them to properly monitor and conduct negotiations (see Chapter 2 of this publication). Diplomatic representation in emerging countries such as China and Brazil is also becoming increasingly important, as these countries exert a greater influence on international trade and global governance issues.

Out of 60 countries that are LDCs, small states or landlocked, at least ten do not have a resident mission in Geneva. The Commonwealth Secretariat provides office facilities to CSS delegations in the Commonwealth Small States Office in Geneva. At present, this office houses seven small states' delegations.[33] Although some CSS have a permanent mission in Geneva, many of them still do not have dedicated and adequate WTO representation, making it difficult to defend their trade interests and respond to other countries' proposals on time. Even where countries have managed to get representation, in most cases it is rather skeletal and not sufficiently staffed to ensure effective participation in all meetings of the WTO and other international trade organisations.

To be able to staff missions abroad with the right technical expertise is another critical factor. As the international economic agenda becomes heavily loaded with issues that require specific technical skills, developing countries have started to include technically qualified experts in their representations. In Geneva, for example, many countries have included specially equipped trade representatives in their delegations to focus exclusively on trade issues in the same way that some others have dedicated officials in foreign representation for human rights, health and labour issues. Others have found it more appropriate to co-opt experts from capitals to regularly attend WTO bodies, especially negotiating bodies, where specialised expertise is required. The involvement of technical experts from capitals not only helps to be more effective and responsive but also ensures that the home government has effective ownership of the issue at stake and that Ministers are in a better position to take decisions during ministerial meetings.

Co-ordination mechanisms and priority setting

In the context of resource constraints and inadequate representation abroad, ensuring proper co-ordination at the national level and setting priorities based on economic and political interests is key. The advantage of ensuring good co-ordination between foreign representation and capitals is that resources at home can be used more cost-effectively to follow up and provide input to Geneva, for example, rather than having to relocate staff there. Resources can be pooled together at the national level with swift collaboration of various ministries and departments working on trade. Such an approach, which can take the form of a co-ordination body or mechanism, has the added benefit of enlisting the support of various bodies, both public and private, working on trade issues and the civil society. At the same time, a greater sense of ownership is created and a reform/implementation agenda is more easily achieved.

With a heavy agenda and a growing number of issues at the multilateral level, it is virtually impossible to cover all issues, hence the importance of setting priorities based on a country's interest. Trying to be involved in all areas of work might prove to be counterproductive when a country is faced with resource constraint. CSS rely on a few products for exports. In addition, as mentioned earlier, there are a few services sectors that are of economic importance to them, tourism being one of them. However, while setting priorities, one has to be mindful of not only existing trade structure and protecting current trade interest but also projecting future development trends and the development of new industries. This has become more relevant nowadays with value chain processes across different countries. A clear trade strategy will certainly provide useful guidance and inform policy-makers and negotiators of what issues are to be addressed in a multilateral setting and how this can be done.[34]

1.4 Chapters in this book

This publication brings together valuable perspectives from a wide range of experts on the participation of small states in the MTS and proposes new ways that this increased participation can benefit small and marginalised countries in the future.

Chapter 2 presents a rigorous and comprehensive review of the systemic issues affecting small states' participation in the WTO. This chapter outlines some of the particular challenges and priorities for small states with respect to the MTS. It explains the key contours of the debate on the WTO's systemic challenges and institutional reform and illustrates the extensive range of systemic issues and proposals that currently exist. To provide context for small states, this chapter mentions a broad spectrum of these proposals. It focuses most on those areas deemed to be of particular interest to small states, which include the following:

1. the WTO's system/regime management function;
2. the WTO's negotiation and rule-making function;
3. the WTO's dispute settlement function; and
4. the WTO's outreach and its interface with global economic governance and regional/preferential trade arrangements.

Notably, this chapter does not aim to address the challenges that small states face when organising themselves at the national/regional level to devise and advance their international trade policy objectives; instead, it focuses on the international dimension, that is, the interaction of small states with the WTO system itself, including the Secretariat and other members. It also does not aim to address the substance of the Doha Round of WTO negotiations.

Chapter 3, using the Dispute Settlement Understanding as an example, offers a novel and highly informed perspective on the importance of the WTO's dispute-settlement function for small states and LDCs. This chapter provides insight into how the adjudicating arm of the system can work for small states. Chapter 3 provides the first specific evaluation of the participation of CSS and LDCs in WTO dispute

settlement. Despite these countries' small shares of global trade, the author queries if their current limited participation in WTO dispute settlement processes should be greater. This chapter analyses the special constraints these countries face and makes some tentative proposals to improve that participation.

Chapter 4 provides new and thought-provoking insight into what small and poor developing countries need from the MTS. Having recognised the importance of the WTO in ensuring predictability for producers and consumers and the limited negotiating capacity of small and poor countries, the chapter examines three potential areas of constraint on trading by them: market access in goods, costs of trading and opening up of services trade. Several proposals that are currently under negotiation are then examined, ending with some key suggested areas on which these countries should focus their efforts in the WTO.

The critical role of AfT in support of small states is addressed in Chapter 5. This chapter examines the rationale of AfT to SVEs and delves into the specific challenges faced by these countries in terms of their trade. After highlighting these challenges, the chapter provides fresh analysis, quantifying AfT flows to SVEs over the past decade and the distribution of where this funding has gone. The chapter critically evaluates how effective this has been for SVEs so far, and ends with some useful recommendations on how to move forward with this initiative.

The final chapter brings in a discussion of an extremely significant and growing element in the global economy: services trade. Chapter 6 investigates the importance of services trade in the WTO, particularly for small states, through an examination of small states' involvement in the General Agreement on Trade in Services and services negotiations, and further exploration of the impact of the development of some specific services such as tourism, health and International Trade Centre (ITC) on small states. This chapter concludes with suggestions on what role the MTS should play in advancing the services sector and the ability of small states to realise opportunities in this sector.

Notes

1 Statement delivered at the United Nations Conference on Trade and Development (UNCTAD) XIII, Doha, Qatar (2012).
2 The Bahamas, Kiribati, Nauru and Tuvalu are not members of the WTO.
3 Canada, the European Union, Japan and the USA.
4 The term 'developing countries' used in this chapter includes 'Transition economies' and 'Developing economies' as classified by UNCTADstat. For more information, see http://unctadstat.unctad.org/EN/Classifications.html. 'Southern countries' and 'the South' are also terms used in this chapter to refer to the same group of countries.
5 Unless otherwise specified, the statistics used in this chapter are based on authors' estimates using UNCTAD data (2014).
6 Authors' estimates using the World Economic Outlook database using GDP in current prices for emerging markets and developing economies (2014).
7 Although the focus of this book is essentially on Commonwealth small states, the issues raised are also confronted by many non-Commonwealth small states, as they share the inherent characteristics of smallness (Section 1.3 of this chapter elaborates on some of the definitions associated with smallness currently in use).

8 See Annex 1 for a list of Commonwealth small states.
9 Estimates calculated using UNCTAD data in current US prices and current exchange rates (2014).
10 CSS include two countries classified as 'developed' (Cyprus and Malta); however, the group as a whole is analysed in comparison with the group of developing countries.
11 The average annual growth rates were calculated based on the change in total value of exports for each group, year upon year. Estimates calculated using UNCTAD data in current US prices and current exchange rates (2014).
12 Estimates calculated using UNCTAD data in current US prices and current exchange rates (2014).
13 The Republic of Korea is another developing country with a significant share in CSS exports, but approximately 72 per cent of exports from CSS to Korea are from Brunei Darussalam only (from UNCTAD data 2015).
14 Estimates calculated using UNCTAD data in current US prices and current exchange rates (2014).
15 Goods are defined using Standard International Trade Classification (SITC) Revision 3: manufactured goods as SITC 5–8 or 667 and 68; primary goods as SITC 0+1+2+4+68+667+971 and fuels as SITC 3.
16 Service data are largely unavailable. Data in current US prices and current exchange rates were used from UNCTAD (2014). No information on Nauru was available.
17 Service data are largely unavailable. Data were used from UNCTAD (2014). No information on Nauru was available.
18 Average taken from the sum of exports and imports as a percentage of GDP for 2010–2012 from UNCTAD data (2015).
19 For further discussion, see Winters and Martins (2004).
20 For further discussion of the needs of small states in the WTO, see Chapter 4 of this publication.
21 Data retrieved from the ITC market access map (2015).
22 Based on the latest data available – in most cases, small states do not receive preferential tariffs from these countries.
23 For further information, see Chapter 11 in Bayne and Woolcock (2011).
24 July 2008 modalities texts are still under negotiation and can be accessed from the WTO website (www.wto.org).
25 See WTO documents TN/AG/W/4/Rev.4 and TA/MA/W/103/Rev.3 of 6 December 2008, available at: www.wto.org
26 See WTO Appellate Body Report, WT/DS246/AB/R. 2004, EC Conditions for the Granting of Tariff Preferences to Developing Countries. Document available at: www.wto.org
27 For more information about country groupings and alliances, see the WTO website (www.wto.org).
28 See the decisions reached at the WTO Ministerial Conferences, for example in Bali in November 2013 – WT/MIN (13)/33, WT/L/908, available at: www.wto.org; see also footnote 11 of the text of TN/AG/W/4/Rev.4 of 6 December 2008 for agriculture and paragraph 13 of TN/MA/W/103/Rev.3 of 6 December 2008 for NAMA regarding the categorisation and its recognisance in the WTO negotiations.
29 For more information about country groupings and alliances, see the WTO website (www.wto.org).
30 The Cairns Group is a coalition of agricultural exporting nations lobbying for agricultural trade liberalisation within the WTO.
31 Article 27 of the WTO Agreement of Subsidies and Countervailing Measures.
32 TN/MA/W/53, tabled by Benin on behalf of the ACP in the NAMA negotiating group. Document available at: www.wto.org
33 Including representation of the Pacific Islands Forum Secretariat and the Organisation of Eastern Caribbean States.
34 For further reading, see Jones (2013).

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