

## How can trade promote development?



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*How can trade promote development?* The moment I read this statement, I thought to myself, "well here we have another one of those typical topics of discussion that is echoed in practically every diplomatic and political meeting around the world." "Bilateral trade", "sustainable development" and "inclusive growth" are the buzz words forming the epicentre of the modern economic world; be it high-profile talks between the United States and China or the annual Doha Development Round of the World Trade Organization (WTO). Nevertheless, the simplest answer to the question above would be:

*"Trade aids development by bringing different countries together; thereby providing avenues to suffice their need of scarce commodities and thus nurturing a mutually beneficial relationship."*

However, this would be stating the obvious. While it is true that the evolution of the modern corporate world owes its existence to the concept of trade and that what had started as a simple exchange of goods between people to fulfil their survival needs has now become the lifeline of many economies, one cannot overlook the drastic transformation that the theory of trade has undergone in the past few years. Moreover, we as youth and as "the future" definitely cannot avert the changes that we need to bring to the global economy.

The basic concept of modern trade is beautifully captured by the world-renowned economist Paul Krugman in his theory of new trade, which states that all countries trade for two primary reasons: firstly, to take advantage of their differences by a phenomenon known as comparative advantage; and secondly, to benefit from increasing returns through the inherent advantage of specialization. It is to be noted that so far trade has always been associated with materialistic objectives, i.e. it involves the exchange of goods between two entities hoping for some financial gain in the process. However, it is worth mentioning at this point that rapid globalization and liberalization have revolutionized the purpose of trade itself. The motive of trade has shifted from merely fulfilling the needs of people to achieving

global growth, whereby the developed nations help to uplift the underdeveloped and the developing economies. As stated by the WTO Director-General Pascal Lamy, trade as a world of “them” and “us” has changed to the world of “we”.

I have to admit that the concept of “holistic global development” is still in its nascent stage and is faced with numerous challenges. Nevertheless, in my opinion many of these hurdles can be overcome by adopting the approach of “soft-trade”. This is a technique that encourages nations to *think beyond their self-centred motives and channel resources to aid the development of the global society within their capability*. I would like to clarify at this point that soft-trade does not mean charity! *It is a concept which steers nations to stretch their capacity in their field of competitiveness while creating a multiplier effect so as to help the development of weaker economies. It also aims to equip the weaker sections of the society with adequate knowledge and skills to help them compete in the global arena*. It is often noticed that many nations have adequate resources, but they fail to compete due to poor organization, a lack of technology or inadequate skills. The key to the implementation of soft-trade is that it involves a *shift in focus of trade from the exchange of goods to the exchange of ideas, expertise and soft-skills* amongst nations; hence promoting a sense of responsibility towards inclusive development of the society. Schemes such as the Standards and Trade Development Facility (STDF), “Made in the World” and “Aid for Trade”, initiated by the WTO, illustrate this concept very effectively. This simple change in the outlook would not only aid the progress of developing and underdeveloped nations, but it would also help to overcome many global challenges faced by nations across the world today.

I would like to illustrate the concept of soft-trade with a hypothetical example. One of the most critical issues impacting our world today is food crises. There are several nations around the globe, including many Asian countries, the African subcontinent and parts of Latin America, that are severely affected by the adversities of insufficient food and nutrition. However, the irony of the story is that while people in these countries struggle to get their daily bread, there are other nations where millions of tonnes of surplus food are thrown away every year. Furthermore, we also have nations where tons of food are wasted every year due to poor infrastructure. A study entitled *Global Food Losses and Food Waste*, by the Swedish Institute for Food and Biotechnology, on request from the Food and Agriculture Organization of the United Nations (FAO), suggests that “roughly one-third of food produced for human consumption is lost or wasted globally, which amounts to about 1.3 billion tons per year”. Moreover, it was also found that “much more food is wasted in the industrialized world than in developing countries”. Generally in high income countries, food is wasted at the consumption stage whereby low-quality food is declared as unsuitable for human consumption. In addition, while anticipating unpredictable bad weather or pest attacks, farmers

sometimes make production plans on the safe side and end up producing excess crop. On the other hand in low-income countries, food is wasted due to financial, managerial and technical limitations. A recent case in India showed that millions of tons of wheat had rotted due to a lack of warehouse space to hold the bumper crop. This could be avoided to a great extent if the two sides could cooperate by trading skills, knowledge, resources and capacity instead of merely trading crops, as it is done now. Cooperation among farmers could reduce the risk of overproduction by allowing surplus crops from one farm to solve a shortage of crops on another. Similarly other major challenges can also be overcome by proper cooperation and collaboration.

The impact of soft-trade on the development of emerging economies such as India, China and Russia has been especially evident in the past two decades. Belonging to one such nation (India) myself, I have personally experienced a drastic transformation in my country since liberalization, when India opened its doors to foreign trade. The pace of growth and development has been phenomenal since then. The country has seen major boost in practically every sector; right from manufacturing to services, aviation to telecommunications, agriculture to textiles and mining to the financial sector. In addition to fuelling technological advancement, international trade has provided a major platform for sharing expertise and knowledge, thus abetting global inclusive growth.

In conclusion, it can be said that there is direct correlation between trade and development. International trade and cooperation have found a new hierarchy in the modern economic world due to globalization. Soft-trade which looks beyond materialistic gains helps to achieve sustainability and aims to make nations self-sufficient to compete and survive in the long run. Not to forget about the human touch that it inculcates which helps to build stronger relations among the nations!

This article has won the first prize in WTO Youth Ambassador Programme, Geneva, Switzerland and has been published in the WTO Public Forum publication. Ankita is a Second year student of Marketing in SIBM, Pune.