EE

Rethinking Trade and Commercial Policy Theories

Development Perspectives

P. Sai-wing Ho

Published by
Edward Elgar Publishing Limited
The Lypiatts
15 Lansdown Road
Cheltenham
Glos GL50 2JA
UK

Edward Elgar Publishing, Inc.
William Pratt House
9 Dewey Court
Northampton
Massachusetts 01060
USA

A catalogue record for this book
is available from the British Library

Library of Congress Control Number: 2009940979

ISBN 978 1 84064 942 0

Printed and bound by MPG Books Group, UK

Abbreviations

AER	*American Economic Review*
CTT	Commodity terms of trade
CVD	Countervailing duties
ECLA	Economic Commission for Latin America
EOI	Export-oriented industrialisation
EP	Export promotion
FDI	Foreign direct investment
FTT	Factoral terms of trade
GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
H–O–S model	Heckscher–Ohlin–Samuelson model
HPAEs	High-performing Asian economies
ILPES	Latin American Institute for Social and Economic Planning
IMF	International Monetary Fund
IPR	Intellectual property rights
IS	Import substitution
ISI	Import-substituting industrialisation
ITT	Income terms of trade
MNCs	Multinational corporations
MTNs	Multilateral trade negotiations
NICs	Newly industrialising countries
PST	Prebisch–Singer thesis
QRs	Quantitative restrictions
SDT	Special and differential treatment
SCM	Agreement on Subsidies and Countervailing Measures
SEUM	Society for Establishing Useful Manufactures
TNCs	Transnational corporations
TRCB	Trade-related capacity building
TRIMs	Agreement on Trade Related Investment Measures
TRIPs	Agreement on Trade Related Aspects of Intellectual Property Rights
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

Preface

In hindsight the rethinking of trade and commercial policy theories from development perspectives that is discussed in the following pages first took germination in Chapter II of the dissertation that I wrote at Stanford University (Ho 1989) and that chapter is titled, 'International technological differences and uneven accumulation in a classical production model'. Before it was published several years later (Ho 1997), I devoted time to read more of the works of the classical economists, adding those of Torrens. These efforts resulted in Ho (1996a, 1996b).

The period between the latter part of the 1980s and the mid-1990s roughly coincided with the Uruguay Round of multilateral trade negotiations (MTNs) which resulted in the establishment of the World Trade Organization in 1995. The North–South divide that emerged from that round and the controversy surrounding some of the agreements reached appear to me to be quite readily comprehensible within the uneven development framework that I had partly constructed by then. Nevertheless, beginning from the mid-1990s I devoted time to educate myself about the history of the General Agreement on Tariffs and Trade, especially focusing on the issue of Special and Differential Treatment (see, for instance, Ho 1998b).

It should not be surprising that how one appraises the outcome of different rounds of MTNs depends on one's theoretical perspective. Nevertheless, it served as a reminder that there was more that I needed to do to further construct the framework of uneven development. Thus, although back in 1994 I had drafted a research paper (which has not been published) that reappraised the theory of domestic divergences and considered its limitations on shedding light on the process of development, there is a more thorough story yet to be told. If the mainstream of the economics profession has been unable, or has refused, to recognise that there is an alternative framework to stitch together the works of the classicists, might there be a similar inability or refusal when it comes to the works of the so-called 'protectionists'?

Beginning from the late 1990s, but before the protests in Seattle in 1999, I thus turned my attention to the original works of these so-called 'protectionists' or supporters of import substitution. When Edward Elgar Publishing kindly offered me the opportunity in 2001 to submit a proposal to write a book, I connected all of these different pieces together into a plan. That is essentially what the reader will find in the ensuing pages.

The chief reason why it has taken so many years before the book could be completed is because in spring 2001 I became the Department Chair and, save for the 2004–2005 academic year, had remained in that capacity until June 2010. The administrative work involved and the orchestrating effort that was necessary to strengthen what might otherwise become a 'soft' department (in the sense which Myrdal referred to certain nation states) had at times proved to be excessively demanding and draining. That had inevitably slowed down the completion of the project. Thanks to the University of Denver Administration, I was granted a sabbatical for two academic quarters between autumn 2004 and winter 2005. I was also allowed to take two halves of a mini-sabbatical, while remaining as the Chairperson, in each of the winter quarters of 2007 and 2010 respectively. Those periods of time off were helpful, though the project would necessitate much more. I want to thank Edward Elgar Publishing for kindly showing its understanding of the situation that I have been in and for allowing me the time that it takes to prepare the manuscript.

Given the current trend and emphasis in the mainstream of the economics profession, writing a book of this nature has understandably been quite a lonesome experience. Hence, it is particularly important for me to give thanks to those who have offered their kind encouragement and support. First and foremost I want to thank my teacher at Stanford University, Donald Harris, who supervised my dissertation research. It was through the courses that I took with him and through his supervision of my research that I came to read more about alternative approaches to economic analysis, and learned to appreciate their strengths and weaknesses. He, together with Amit Bhaduri and Medhi Shafaeddin, kindly read the whole or parts of the manuscript for this book and offered many helpful suggestions for revision. Needless to say, all remaining errors are my sole responsibility.

I also want to thank Ha-Joon Chang for allowing me, given my citizenship, to attend the 2002 Cambridge Advanced Programme on Rethinking Development Economics as an observer. That turned out to be a most important occasion for me to compare my way of thinking with that of many of the scholars and researchers whom he had invited to lecture. Over the years I have also been fortunate to get on the programmes of various conferences to present early drafts of my work and I want to thank the conference organisers involved. Back in 2001 it was at one such conference that, through Andrea Maneschi, I was introduced to Mr Edward Elgar. I want to thank Andrea for that introduction and for, prior to that occasion, pointing me to the works of John Rae. For students in my senior-/graduate-level course on trade theories and policies, I want to thank them for allowing me to test my alternative developmentalist interpretation in front of them.

Given the voluminous amount of reference materials to consult, not all of which were easily obtainable, I have sought the help of many at the University of Denver Penrose Library, especially those who have worked at the Inter-Library Loan Department. I want to thank them for the patient

assistance that they have kindly lent me. I want to thank Christopher Brown, Reference Technology Integration Librarian, for putting his nifty searching skills to use on many occasions to help me hunt down documents that are difficult to locate. Mary Sue Brown, Software Training Specialist, University of Denver Technology Services, provided ample help when I prepared the camera ready copy that conforms to the guidelines provided by Edward Elgar Publishing.

I would like to acknowledge the kind permissions to reproduce passages from the following books or articles:

- Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Liberty*Classics* reprint of the Oxford University Press edition, published in 1976 and reprinted with minor corrections in 1979, Indianapolis: Liberty*Classics*, reproduced by permission of Oxford University Press.
- David Ricardo, *On the Principles of Political Economy and Taxation*, vol. I of *The Works and Correspondence of David Ricardo*, edited by Piero Sraffa and Maurice H. Dobb (Indianapolis: Liberty Fund, 2004), originally published by Cambridge University Press in 1951, reprinted by permission of Liberty Fund via license from the Royal Economic Society.
- John Stuart Mill, *Principles of Political Economy with Some of Their Applications to Social Philosophy*, vols. II and III of *The Collected Works of John Stuart Mill*, edited by John B. Robson, published 1965, Toronto: University of Toronto Press, reprinted with permission of the publisher.
- Alexander Hamilton, *The Papers of Alexander Hamilton*, vol. X, edited by Harold C. Syrett and Jacob E. Cooke, published 1966, New York: Columbia University Press, reproduced with permission of the publisher.
- Raúl Prebisch, *Towards a New Trade Policy for Development*, © United Nations, published 1964, reproduced with permission.
- Gunnar Myrdal, *An International Economy*, published 1956, New York: Harper & Brothers, reproduced with permission of HarperCollins *Publishers*.
- Gunnar Myrdal, *Economic Theory and Under-Developed Regions*, originally published by Gerald Duckworth in 1957, later published Methuen & Co. Ltd. in 1963, reproduced with permission of Gerald Duckworth & Co. Ltd.
- Gunnar Myrdal, *Asian Drama: An Inquiry into the Poverty of Nations*, vols. I–III, published 1968, New York: Pantheon, reproduced with permission of the Board of Culture, City of Stockholm, Sweden.

- Hans W. Singer, *The Strategy of International Development*, published 1975, London: Macmillan, reproduced with permission of Palgrave Macmillan.
- P. Sai-wing Ho, 'Rethinking classical trade analysis within a framework of capitalist development', *Cambridge Journal of Economics*, **20**, 4 (July 1996), 413–32, used by permission of Oxford University Press.
- P. Sai-wing Ho, 'Reappraising Torrens's contributions to the analysis of trade, growth, and colonisation', *Contributions to Political Economy*, **15** (1996), 1–31, used by permission of Oxford University Press.
- P. Sai-wing Ho, 'Distortions in the trade policy for development debate: a re-examination of Friedrich List', *Cambridge Journal of Economics*, **29**, 5 (2005 September), 729–45, used by permission of Oxford University Press.
- P. Sai-wing Ho, 'An institutionalist's policy advice to address international inequalities: the contributions of Gunnar Myrdal', from *Journal of Economic Issues*, **43**, 2 (June 2009), 337–44. Copyright © 2009 by the Association for Evolutionary Economics, used by permission of M.E. Sharpe, Inc.

Every effort has been made to trace all the copyright holders but if any has been inadvertently overlooked, the publisher will be pleased to make the necessary amendments at the first opportunity.

Last but not least I want to thank my wife, Martha, for all her support of my indulgence in this undertaking. She understands that I dedicated myself to it because of my passion to learn and to discover. With much sacrifice on her part she had kindly provided me the space to carry it out and bring it to fruition.

Contents

1. Introduction

1.1 THIS BOOK'S CONCEPTION

To most readers it is probably too obvious to point out that a substantial portion of the rationale behind the push toward globalisation – in its trade or trade-related aspects – is based, directly or indirectly, upon the mainstream or orthodox trade and commercial policy theories that have long exercised dominance within the economics profession.[1] Nevertheless, as trite as that observation may sound, it usefully reminds one that any serious voice of caution against those aspects of the globalisation process must necessarily take on those theories.

For the sake of discussion they can be grouped into two intimately connected sets that essentially constitute two sides of the same coin. One set has to do with the illustration that free trade is, under assumptions that are widely regarded by the economics mainstream as standard and innocuous, the 'best' or 'most efficient' trade policy.[2] In the rest of this book these are referred to as the static classical trade theories.[3] The flip side, the other set, relates to the claim that deviations from free trade would, under the same list of assumptions made in the first set of theories, not be efficient as a trade policy. Even if there are 'market failures', deviations from free trade would in most cases fare no better than 'second-best'. In the rest of this book this set is referred to as the theory of commercial policy, or more technically known as the theory of domestic divergences or distortions.[4] In both cases, though with obvious differences in details, lineage has been traced by mainstream historians of economic thought all the way back to the great classical economists, namely Adam Smith, David Ricardo, and John Stuart Mill.[5] It is this most impressive lineage that partly lends dominance to the theories and it gives pause to anyone who dares to question them.[6]

Previous attempts to challenge the development implications of these theories have taken place on two fronts, namely theoretical and empirical.[7] What is conspicuously missing in these attempts, unfortunately, are efforts that quite comprehensively research into alternative versions of history of economic thought on the subject of development and trade. To be sure, alternative interpretations of the works of some of the authors re-examined in the rest of this book have occasionally been advanced.[8] However, without a more systematic effort to stitch together the insight of these authors, one passes up the possibility of uniting the strong and thoughtful voices to counter the mainstream theorists on the theoretical front of the debate. And without respectable theoretical justifications, any challenge on the empirical front may come across as not firmly grounded.

Hence, while there have been scores of books published in recent years that cast doubt on the implications for development with the push toward globalisation, what seems to be missing is a comprehensive and exhaustive effort to critically re-examine the mainstream theories upon which the push is significantly based.[9] That is not to suggest that the scepticism toward the developmental effects of globalisation, or toward the speed at which it has been pushed, which has been expressed in these publications is not well-founded.[10] But had the critical re-examination been undertaken, the case for caution could perhaps be more forcefully made and could perhaps better withstand the dismissal by the supporters of globalisation.

Indeed, among those in the economics mainstream who have appeared to be willing to engage the sceptics, one readily notes simple reiterations of such theories in their rebuttals and then the debate is brought back to square one. Deardorff (2003) expresses this in a most telling way and is worth quoting at full length:

> [W]e [economists] … tend to believe in the power of competition among … firms to render their greed harmless and in fact to turn it into an engine for making people better off. We have this model, you see, in which competition among firms leads in a perfect world to economic efficiency. And while the world is obviously imperfect in many ways, we still tend to believe that this force for good usually plays the dominant role.
> … We have built our academic careers on the foundation of this model, and it has served us well… When confronted with those who disagree with us, we almost always can find elements of their arguments that are contrary to fact – or if not to fact, then to theory – and we marshal our own arguments in the comfortable context of our theory without really hearing what others are saying. (p. 642)

To him (and many others in the economics mainstream), 'complaints about globalisation … seem to emerge from a different world' than one with which he is familiar (ibid., p. 640).[11]

This book is an attempt to fill the void. It purports to take a serious step toward re-examining the history of economic thought on the subject of development and trade, and advances an alternative developmentalist version of that history. It is an understatement to characterise the literature in this area as huge and enormous, and it is hence impossible for a book of this length to be adequately comprehensive in that regard. But to the extent that a preponderant portion of that literature has, directly or indirectly, grown from the mainstream version of the history of thought pertaining to that area, the advancement of an alternative developmentalist version of that history could, if it proves to be compelling, give reason to rethink that whole literature. It is with that strategy in mind that this book focuses on some of the key figures in this literature.

Given that mainstream theories are placed into the two aforementioned sets, this book is accordingly divided into two parts. Part I challenges the perception created by the subscribers to the static classical trade models that these were largely all that the classical economists had written about as they made their case for free trade.[12] It argues that the lineage to classical economics built by the mainstream actually rests upon an extremely narrow reference to the original works by the classicists. By meticulously re-examining these original works – those by Smith, Ricardo, Mill, and adding those by Robert Torrens – it is argued that a model of growth, trade, and foreign investment can be shown to run through many parts of their works. Most importantly, this model engenders uneven development among the participating countries in an expanding trade and investment network. During the times of the classical economists England exploited various advantages that she enjoyed as the first to industrialise, and widened and consolidated her lead, especially in a technological sense, over the others in that network. Putting this polarising tendency slightly differently, while England reaped most of the benefits, many other countries and regions were mired in the trap of underdevelopment and technological backwardness. So, after all, maybe there are good reasons to be sceptical about the benefits of free trade from the perspective of certain countries, and this scepticism is derived from having meticulously perused the original works of the same classical economists who are claimed to be the first to have systematically illustrated the mutual benefits of free trade! But it bears emphasising that the issue is not just about trade policy. To the extent that concomitant with uneven development are widening technological gaps across countries, and associated with foreign investment by the advanced countries in the less-developed ones are controversies relating to the distribution of gains from (including the extent of technology transfer through) such investment, this alternative developmentalist approach to linking up the classicists, unlike the mainstream one, much more readily highlights certain issues that were at first somewhat latent, but have erupted in the more recent rounds of multilateral trade negotiations (MTNs) (on which more later).

A corollary from the above is that the classical economists were either oblivious or apathetic to the possibly polarising developmental effects of trade and investment. Unfortunately, it is mostly the parts of their works that pertain to the non-polarising, equilibrating or equalising effects of trade and investment that have been extended and refined into modern mainstream trade and commercial policy theories.[13] The framework for analysing the economic development of the relatively backward countries that is based upon such theories is consequently also oblivious to the polarising effects of trade and investment.[14] Technological gaps across countries are treated as given and unchanging in the static classical trade models.[15] Capital is either assumed to be internationally immobile[16] or the possible negative impact of its mobility downplayed.[17] While widening technological gaps and the adverse impact of hosting unregulated FDI have thus received far less attention than they deserve, a huge amount of time and effort has been invested in analysing the effects of commercial policy within the equilibrium framework, giving rise to the theory of domestic divergences.[18]

While these blind spots have been inherited and retained by the modern mainstream, over the course of more than two centuries since the publication of Smith's *Wealth of Nations* countless sceptics of free trade and unbridled *laissez-faire* have expressed concerns with the process of uneven development between the rich and the poor countries.[19] The more thoughtful and sophisticated among these sceptics studied the mechanisms that have aggravated such development. Then they explored ways to shape certain market and social forces, resulting in proposals of different state-aided efforts to spur development and technological-capability cultivation so that the uneven development process could be arrested and the gaps between the two groups of countries could be narrowed, even if not completely closed. In the rest of this book they are often referred to as the *developmentalists*.

How, then, has the economics mainstream maintained the dominance of its trade and commercial policy theories despite the onslaught by these developmentalists? It has selectively distilled elements from their works, represented these as treatable within its equilibrium framework, and illustrated that they typically did not draw the first-best policy conclusions. The distillation has enabled the mainstream to categorically label them as 'protectionists' or supporters of 'import-substitution' (IS); the prominent usual suspects include Alexander Hamilton, Friedrich List, Mihaïl Manoïlesco, Raúl Prebisch, Gunnar Myrdal, Hans Singer, and others. By attaching such labels, attention is focused on the trade protection policies that they allegedly support and is diverted from their broader development programmes – which often comprise, among other elements, domestic policies, technological-capability cultivation policies and (for Prebisch, Myrdal, and Singer) policies that regulate foreign direct investment (FDI) – of which trade policies only constitute a part. The distilled elements are then treated under the aforementioned second set of mainstream theories, namely the theory of domestic divergences. Specifically, the various 'cases for protection' have been subjected to diagnosis using mainstream analytical tools that are geared toward detecting circumstances under which otherwise efficient equilibrium outcomes from resource allocation are not obtained under free market conditions. Such circumstances are collectively known in the mainstream as 'market failures'. Invoking the 'principle of targetting', the next step in the treatment of their cases is to portray these 'protectionists' as knowing nothing better than using trade protection to target the correction of market failures.[20] For according to the theory of domestic divergences, there are, for most market failures, typically some non-trade policy instruments that could more precisely target the sources of those failures. Put differently, market failures are typically not best corrected by trade protection. The case for free trade that is supported by mainstream trade and commercial policy theories thus appears to remain intact.

Part II of this book challenges the perception, created by these critics of protectionism and IS, that what they have focused on accurately depicts the thoughts of the developmentalists. It argues that their depiction actually rests upon an extremely narrow reference to the original works by these authors. Through meticulous re-examinations of these original works, it illustrates how that depiction has seriously distorted and misrepresented their ideas, and has thus obfuscated the questions posed by them. There have thus been processes of distortions and misrepresentations that resemble each other that Parts I and II of the present work seek to correct. In both cases the distortions and misrepresentations result when the economics mainstream narrowly focuses on just certain passages in the otherwise voluminous amount of works of the classical economists as well as the prominent developmentalists.

Unlike Part I where the smaller number of economists re-examined and the relatively shorter time that their lives collectively spanned allow for an easier summary, Part II poses more of a challenge. Nevertheless, the following should highlight the major findings. Most fundamentally, the developmentalists were all concerned with the uneven development process from the vantage point of those countries that were lagging behind. That is, they drew attention to the problem of lack of development in precisely those countries or parts of the world that the classical economists re-examined in Part I did not pay adequate attention to. To them (excepting Manoïlesco, on which see Chapter 9 below), the problem of underdevelopment was never conceived as treatable within the mainstream equilibrium framework. That is, development was not conceptualised as simply a matter of attaining static efficiency through an instantaneous resource reallocation from an initial inefficient situation that obtains due to a market failure.[21]

While there are hints in their works that they might have stumbled upon barriers and obstacles to development some of which appear to be akin to the mainstream notion of market failures, these barriers and obstacles are not situated in equilibrium frameworks.[22] Importantly, they were not studied in the compartmentalised ways that are typical of treatments of market failures under the theory of domestic divergences. Instead, their interconnections are always at least implicitly recognised, thereby giving rise, in some cases, to notions of circular and cumulative causation, especially in the works of Myrdal and Singer, and to some extent also in those of List and Prebisch. But precisely because the obstacles to development are intimately intertwined, the process of overcoming them has to be multifaceted, and in some sense, sequenced. This process will by no means be realised through an instantaneous reallocation of resources.

Indeed, these developmentalists have generally thought through arguments for state-aided development that are much more sophisticated than the mainstream treatment has made them out to be. Part of this sophistication is reflected by the fact that, contrary to mainstream portrayal that presents them as knowing no better than relying on trade protection to correct 'market failures', they have invariably considered deploying other instruments, including subsidies. In fact, two of them – Hamilton and List – can be regarded to have anticipated insights that later came to be known as the 'principle of targetting'.[23] Besides, all of them had expressed a healthy dose of caution against some possible side-effects from state support of developmental efforts (for example, the inefficiencies that might be bred). While all of them advocated the promotion of industries, all (excepting Manoïlesco) were also careful, in one way or another, to point out that agricultural growth should not be neglected. And while all intended the industries that would be promoted should serve the domestic market, most of them also emphasised the importance of interweaving IS with export promotion (EP). More fundamentally, these developmentalists did not merely confine themselves to 'protectionist' policies as traditionally defined by the economics mainstream. Instead, some of them (Prebisch, Myrdal, and Singer) also gave thoughts to how to better reap developmental benefits from hosting FDI. Last but not least, they all concerned themselves with closing or narrowing the technological gaps between the rich and the poor countries, through trade policies as well as other technological-capability cultivation policies. This cultivation has never been an instantaneous event in any country. Some aspects of it and the subsequent technological upgrading are processes that necessitate purposeful state support and encouragement. They require time to take root, and so do the social and institutional changes that accompany them.

The mainstream critic may counter that the developmentalists have not refined their analyses to the point where they could obtain clean and precise policy conclusions. To be sure, many of their arguments remain to be refined and developed into more elaborate analyses.[24] The mainstream of the economics profession has, however, not taken a constructive step in this direction. Instead, it has constructed a straw-man – the 'protectionist' –

whenever it finds room to attach that label. It has then developed an elaborate analytical machine – the theory of domestic divergences – to annihilate this straw-man. But having originated from frameworks that are quite blind to polarising developmental forces, one wonders if this theory might also be handicapped when applied to analyse the development-promoting effects of various policies.[25] Indeed, have the mainstream theorists gained elegance and precision in their results only at the expense of relevance to the full complexity of underdevelopment? By only focusing on development barriers and obstacles that are akin to the mainstream notion of market failures, and then by treating the latter in compartmentalised manners while disregarding their inter-related nature (and their interconnections with other barriers and obstacles), has the mainstream derived policy conclusions that, while elegant and precise, are oversimplified and have quite limited applicability? If the developmentalists considered these barriers and obstacles at both the local and global levels more broadly than the mainstream notion of market failures, and also gave recognition that they are intertwined in a complex web, then would it be highly misleading for the mainstream to judge the merit of their policy programmes by narrowly focusing on just the trade protection aspect and also to misrepresent the trade policies as simply intending to correct such simplified notions of market failures?

These critical questions align with one of the points made by Stiglitz and Charlton in their recent book, *Fair Trade for All: How Trade Can Promote Development*. One example they give is if the diagnosis that employs the theory of domestic divergences reveals that the very source of a market failure is traceable to imperfect capital markets, then according to that theory 'the [preferred] solution was to create perfect capital markets'. But unfortunately, this conclusion 'made the critical error of treating the distortion almost as if it was an accidental mistake, which government could easily correct'. One should bear in mind, they thus caution, that 'in many cases the market failure might be endemic or not readily able to be countered by government action' (2005, p. 31).[26]

The fact that Part II of this book seeks to clarify the ideas of the developmentalists might be misconstrued as nothing but support for 'protectionism', where the latter is defined in the mainstream sense of the term. If this book has even some success in accomplishing what it seeks to accomplish, the reader should be in a better-informed position to decide that the traditional debate on free trade versus protection has a misplaced focus as far as engendering development is concerned. This traditional debate is able to sustain itself in that form thanks to the peculiar nature of mainstream trade and commercial policy theories. For in these theoretical frameworks, where among other suppositions the production process has been compressed into well-behaved production functions which represent some given level of technological capability, the central focus is on exchange and allocation under competitive conditions and the efficiency results that arise therefrom. Restricted exchange will, under the given assumptions, result in misallocation and inefficiencies. Therein the 'debate' on free trade versus protection would appear to be the only way that it can be waged.

But when that production process is not thus compressed, when resources have to be mobilised not just economically but socially, when technological learning has to take place and technological capability has to be cultivated and continually upgraded, when market institutions have yet to be more fully established and some markets remain to be created, it becomes more obvious that while some trade and exchange are essential to certain phases of the complex process of development, engendering development takes much more than just trade and exchange. Development as a multifaceted process could be aided via multiple supports, involving both non-trade as well as trade instruments. Certain commercial policy instruments, if employed with appropriate checks and balances, could play a role in helping this process along. However, commercial policy by itself, even if appropriately deployed, will be far from adequate.[27] Clearly, this whole set of considerations cannot simply be tagged under the banner of a free trade versus protection debate. In that connection, the subtitle of the present book that indicates that theories of trade and commercial policy are rethought from 'development perspectives' is not trivial.

Indeed, it is not an accident that, apart from the caution against liberalising trade too rapidly, most less-developed countries have also been cautious toward the rapid extension of the agenda at the recent rounds of MTNs held under the auspices of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organisation (WTO). Those in the mainstream who had become too confined and accustomed to the traditional free trade versus protection debate were at first caught off guard by this extension.[28] But not surprisingly, well before the controversy surrounding the negotiations on the Agreement on Trade Related Investment Measures (TRIMs) and the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) erupted during and after the Uruguay Round of MTN (1986–1994),[29] many of the aforementioned developmentalists had already considered circumstances under which technological gaps, and the distribution of gains from FDI, between the rich and the poor countries could be widened in the one case and be unevenly obtained in the other. They went on to propose ways to close those gaps and measures to render the distribution less uneven. But thanks to the selective treatment of their ideas so as to fuel the free trade versus protection debate, these contributions have been swept aside and ignored! The rethinking exercise conducted in this