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Subverting the Idea(l) of Equal Opportunity in Global Trade:

The Paradoxes of Differentiation for Peripheral States

Abstract: The existing multilateral trade regime is often beleaguered for unfairly privileging its Western guarantors. Since not all countries command the same opportunity sets to compete in global markets, world trade rules sanction über-rich markets to extend autonomous trade concessions to capital-poor countries without demanding any reciprocal treatment. Given the entanglements of trade in the thorny issues of international development and distributive justice, this paper joins a crowded *trade as/and fairness* debate by judging how the present global economic order (dis)favors developing and least developed countries on the basis of equal opportunity. In a Roemerian-Rawlsian reading of economic fairness, I start by elevating the demands of diffuse reciprocity over the misguided minimalism of mutual reciprocity in a twin attempt to morally defend asymmetric exchanges between asymmetric trading partners and to redress background inequalities in access to the merits of commerce. While the notion and praxis of altruism in international trade generally allude to northern democracies in modern political thought, this article also unmasks parallel models of special and differential treatment projects lorded over by two seemingly unusual suspects: the Eurasian Economic Union and the People's Republic of China. In juxtaposing weak and strong conceptions of equal opportunity vis-à-vis leading compensatory measures presently open to needy nations, I articulate how the strong standard of equal opportunity is *partially cantilevered* by existing level-playing-field structures and yet *brutally bulldozed* at once by the politics of donor discretion. Finally, although a diluted form of diffuse reciprocity grows more fashionable among affluent and emerging economies, unlocking the strong standard of equal opportunity still insists on a *solidaristic* system of preferences to diffuse both opportunities and obligations arising from a less tilted trading order as widely and deeply as possible.

Keywords: *equal opportunity; just trade; diffuse reciprocity; nonreciprocal trade preferences; developing countries; least developed countries*

Most anti-globalization critics vehemently contend that the neoliberal economic world order widens the North–South divide by inherently privileging OECD-types than needier nations. Perhaps more provocatively, some suggest that free trade-preaching wealthy economies make deliberate attempts at ‘kicking away the ladder’ to systematically prevent peripheral countries from charting the same protectionist development path they themselves historically pursued (Chang, 2002). Such Machiavellian skepticism accepts that the structure of the current international economic architecture inevitably engenders a zero-sum game where economic backwaters *by design* lose out to the juggernauts of global capitalism.

What, then, could compensate for a level playing field or a more just global economic order? Given that perspectives differ extensively on what constitutes fairness in global politics, what may be required to achieve it, and how it should be judged (Aaron, 2012), this paper engages in the debate by interrogating how the present global economic order privileges or discriminates against unprosperous countries based on the equality of opportunity principle. More specifically, I claim that existing level-playing-field institutions *partially* underpin the demands of a strong form of equal opportunity in global trade, while nondiscriminatory approaches to equivalent exchanges fail at the foundation as a weak standard of equal opportunity. My overriding aim is, therefore, not to advance a pedestrian argument that opportunity matters, but to problematize *how* more capable economies open up opportunities for those left behind in global commerce and *when* they contradict their purported pro-development generosity.

This paper is split into three main parts. The first section discusses the concept of equal opportunity and its two notions (‘weak’ and ‘strong’). It is important to note that, although some argue for equality of outcome as an inescapable measure of equal opportunity (Philips, 2004), the notion of equal outcomes in global trade will not be treated here. The scope of this paper is rather based on the fundamental assumption that ‘equality of opportunity does not require an equality of outcomes’ (Caney, 2001, p. 114). Indeed, Roemer (1998, p. 53) himself admits: ‘very few thinkers have argued that fairness demands complete equality of outcomes’. Therefore, I understand the concept of equal opportunity more in a procedural sense than an egalitarian ideal based on equal results. The second section applies the two models of equal opportunity vis-à-vis the international economic justice debate. I analyze the weak standard of equal opportunity mainly in the context of the nondiscrimination principle, market access, and agriculture subsidies, while the strong standard is explored with respect to the level-playing-field principle, preferential trade schemes, and capacity-building initiatives. Since the successful conclusion of the Uruguay Round in 1995, the capital-abundant quartet of the European Union (EU), the United States (US), Canada, and Japan have been the main driving force behind the further institutionalization of world trade in terms of content, scope, and procedures under the World Trade Organization (WTO). Nevertheless, this paper goes beyond this typical Western-dominated ensemble and considers other major global economic actors, particularly Chinese and post-Soviet economies. As such, the case analysis focuses on several trade-as-development projects commissioned by key global

trade actors accounting for a major proportion of total world trade. Finally, the paper closes with some critical reflections on the current business of infusing 'altruism' into trade and resuscitates an oldish, though not irrelevant, proposition on *substantively* satisfying the strong standard of equal opportunity in international trade.

What Constitutes Equal Opportunity in Global Trade?

By convention, the equality of opportunity ideal is theorized, defended, opposed or operationalized along the lines of a meritocratic allocation of welfare-enhancing goods, such as job positions, income, and access to education at the domestic or state level in Western democracies. White (2007) distinguishes two key conceptions of meritocracy and the corresponding notions of equal opportunity denoted by each type of meritocratic ideal. In the first case, the elimination of discrimination as a particular cause of disadvantage is the main concern. Roemer (1998, p. 53) enthuses that, under the nondiscrimination principle, the determining factor for the division of competitive positions in society should be based on merits. Fairness is promoted when an individual's eligibility for a position is based on attributes directly related to the performance criteria needed for the position, not on irrelevant factors. In this context, 'the demand for an end to this kind of direct blockage of opportunity' (White, 2007, p. 57), i.e. the elimination of discrimination, becomes a precondition to achieving a weak form of equal opportunity.

In the second case, emphasis goes beyond the nondiscrimination principle to concerns related to the more problematic issues of 'background inequalities' and 'initial resources' (White, 2007, p. 59). Granted that nondiscrimination rules and practices are promoted by the state and other societal actors, some individuals may still be severely hindered from developing their life prospects due to structural limitations. Roemer explains that a 'level playing field' is necessary to create an environment that tears these limitations down and, therefore, unfetters individuals to earn certain opportunity sets needed to become productive members of society. In citing the difference principle, he adds that 'leveling the playing field might be thought to require compensating those with inferior bundles of internal resources with an extra dose of external resources' (Roemer, 1998, p. 2). Another subsidiary point of interest is the 'before' and 'after' consideration, which places responsibility upon individuals for attaining upward socio-economic mobility. This means that individuals are left to their own devices and efforts to enhance their prospects after opportunities have been equalized. It is clear that the level-playing-field principle is much more demanding than the nondiscrimination principle, which does not seek to address 'inequalities in opportunity' (White, 2007, p. 60). For this reason, this second conception evokes a strong form of equal opportunity.

When elevated to the society of states, the notion of equal opportunity is typically anchored in a *liberal internationalist* reading of economic justice, as opposed to *state-centric communitarianism* and *individual-oriented cosmopolitanism* (Kapstein, 2006). As it is

beyond this paper's purview to thoroughly discuss the (de)merits of these three contending models, I focus instead on the theoretical moorings of distributive justice in the international community when it comes to the weak and strong standards of equal opportunity. In his fierce defense of liberal internationalism, Kapstein (2006) highlights the role of free trade and foreign investments in uplifting *within-country* growth and stimulating *between-country* convergence. Despite pockets of economic nationalisms in global trade politics of late, it remains axiomatic among trade-loving nations to revere the perceived or actual messianic utility of free trade. The eruption of bilateral and regional trading agreements in recent decades mirrors this standard economic position. There is now a 'spaghetti bowl' of 312 reciprocal trade deals notified to the WTO!¹ To be clear, I do not cling to any closeted anti-capitalist illusions against enterprising and property-owning societies. On the contrary, I take the view that open market arrangements, when done *fairly*, carry with them an immense potential to spread welfarist ideas, innovations, and incomes internationally. The snag is that the *hegemony of free trade-ism* advocates a twin notion of full reciprocity, as embodied by *mutual* liberalization in bilateral/regional trade, and formal equality, as captured by the 'most favored nation' principle in the WTO system. Normatively, all trading members supposedly achieve a certain level of 'equality' in the sense that one country's concessions are matched by another and that concessions offered to one member do not leave others 'beggared' or worse off. Economically, this weak or minimalistic understanding of fairness hinges on Ricardian trade theory: countries theoretically harvest win-win gains from international trade when they specialize in the production of goods or services where they command comparative advantage. This orthodox line of thinking, however, 'does not allow for the possibility that after specialization one country's production may get caught in the spiral of diminishing returns and rising production costs ... while another country might find its production costs falling as production increased due to increasing returns' (Reinert, 2008, p. 301). Thus, what free trade between states with grossly asymmetric endowments perversely implies is this: affluent nations specialize in being rich, while underdeveloped economies specialize in being poor since '[there] is nothing in Ricardo's theoretical construct to distinguish a Stone Age labor hour from a Silicon Valley labor hour' (Reinert, 2008, p. 106). In a rather Lacanian moment, one could be forgiven for invoking the visceral notion of 'unfreedom' (Žižek, 1989, pp. 21–22.). Here, what is lazily accepted as the freedom of commerce is not 'freedom' as such, when we disentangle it within the confines of international economic justice. By this, I mean that 'gifting' peripheral states the formal freedom to trade negates this specific type of freedom, as their opportunity to participate in the global marketplace remains brutally predetermined by background differences, which are in turn dictated by the accidents of history, geography, politics, institutions, resources, and so on.

To rectify the tragic and inherent injustice of *quid pro quo* reciprocity in a tilted trading system, Kapstein (2006, pp. 31–32) rightly turns to the notion of *diffuse reciprocity* through

¹ See <http://rtais.wto.org/UI/PublicAllIRTAList.aspx>.

which ‘a global economy can be built that is truly inclusive and participatory’. Following the Rawlsian difference principle, this position suggests that a fair global economic architecture should benefit the least privileged and most vulnerable through compensatory measures. In public policy parlance, promoting diffuse reciprocity requires special and differential treatment for states with relatively low levels of income and development. In other words, northern industrialized states should compensate the Global South in their international economic relations by unilaterally offering trade concessions *sans* any obligation to reciprocate on the part of poorer states. A fair-trading system, therefore, inevitably demands unequal exchange between unequal trading partners in a rupture from the pseudo-altruistic principles of full reciprocity and formal equality. Crucially, operationalizing the strong standard of equal opportunity may entail a volte-face from the weak standard. This is so because positive discrimination can be a justificatory mechanism to unburden the weight of background inequalities, or what luck egalitarians often call ‘brute luck’, in access to merit: that is, to reap the benefits of a morally sensitive international commercial system regardless of any state’s circumstances in the world economic ladder. While we can also justly defend preferential trade concessions as *overdue tariffs* owed by many prosperous states to discharge what Christensen (2018) refers to as ‘positive’ and ‘rectificatory’ obligations in combatting global poverty and atoning past colonial horrors, the Promethean (but certainly not Sisyphean) task of promoting inclusiveness and participation in the world economy substantiates why we ought to *substantively* enact special and differential treatment for peripheral states, or at the very least clamor for nonreciprocal exchanges as a means to promote procedural fairness in global trade relations.

Application of Equal Opportunity Principles vis-à-vis Global Economic Justice

In committing to the idea(l) of global economic fairness, one is unavoidably bound to face fierce resistance to ‘the pull of justice in trade discourse’ (Garcia, 2003, p. 10) in the mainstream literature. Relativists or statists often assert that moral obligations are binding only within cultural or normative communities and individual states. Because the world is not a single community nor a single state, questions related to economic fairness *should not* apply to international relations (Garcia, 2003, pp. 10–12). Contrary to this view, it is morally reasonable to uphold equal opportunity as an ideal that promotes an ‘equitable distribution of the benefits and burdens associated with participation in the [global] trade regime’ (Christensen, 2015, pp. 508–509) and based on equally defensible grounds I articulated earlier. As such, this section dissects the two notions of equal opportunity with respect to (1) specific market access issues, especially in agriculture, and (2) key preferential trade schemes run by major industrialized and emerging economies. Although I accept that justice in trade may also be enhanced, for instance, by exempting less industrialized states from WTO intellectual property rules (James, 2012, p. 286), I confine myself to the following two thematic areas

because they are the *de facto* starting point of any meaningful dialogue about fairness in the way states structure their international economic intercourses.

Weak Form of Equal Opportunity: Nondiscrimination Principle, Market Access, and Export Subsidies

A weak standard of equal opportunity in the global economic system may be interpreted in the sense that developed countries do not discriminate against peripheral states on the basis of market access or export subsidies. It is at once crucial to tackle the practical issues of market access and farming support because they function both as a mechanism that either escalates or prohibits the trading prospects of the developing world. In this paper, market access and subsidies are examined generally in relation to trade liberalization in the agricultural sectors of northern preference-granting economies.

Agriculture is a crucial sector for low-income nations. However, the nauseating failure of more advanced WTO members, notably the EU and the US, to grant concessions to developing countries by meaningfully opening their protected and heavily subsidized agricultural sectors has crippled the Doha Development Round for years (Da Conceição-Heldt, 2011). Moreover, surveying previous multilateral trade negotiations related to agriculture reveals that ‘industrialized countries singled out textiles and agriculture, which are important products for developing countries, and subjected these industries to extremely high import restrictions’ (Lichtenbaum 2002, as cited in Christensen, 2015, p. 510). As a result, developing countries have not been able to gain market access in developed economies with respect to specific sectors that are of great economic interest to them. Nonetheless, there are faint signs that a ‘breakthrough’ has been reached at the 10th WTO Ministerial Meeting in terms of making commitments through the Nairobi Package to ‘immediately’ abolish agricultural export subsidies by developed countries (WTO, 2015).

Farmers from destitute countries, however, still find themselves at a disadvantage in global agricultural markets because their counterparts in welfare states continue to snap up publicly provided agricultural support of mammoth proportions. In the US, although a legislative measure was passed in 2014 on the removal of direct payments to American farmers, the level of public expenditures on agricultural subsidies and crop insurance amounts to about \$20 billion yearly (Smith, 2015). Furthermore, the European model of agriculture, which is the heaviest expenditure area of the EU at 41 per cent of the total budget per annum (European Union, 2018), remains a comfortable source of aggressive financial support to European farmers. The reformed Common Agricultural Policy (CAP) for the period 2014–2020 has only marginally trimmed the total amount dedicated to agricultural direct payments and market-related expenditure by 1,8 per cent at nearly €313 billion (European Commission, 2013a). It should come as no surprise that this preference directly relates to the highly politicized nature of agriculture in the EU and the CAP’s status as a social protection instrument prized by staunch proponents for its multiplier outcomes on

employment generation, rural development, and environmental protection, among others. Be that as it may, the overproduction of agricultural commodities in moneyed markets often unleash dramatic spillover effects in marginalized countries. To illustrate this, Deutsche Welle (2018a, 2018b) documented in separate exposés how asphyxiating Cameroonian and Senegalese agribusinesses in the onion and wheat trade fail to grapple with cheap European imports under the brunt of looming or interim *reciprocal* EU economic partnership agreements (EPAs) with Central and West African states.

While the external development ramifications of rich-world subsidies on agriculture are quite clear, I fail to resonate in principle with James (2012, p. 8) that abolishing such deluxe farm payments is considered fair because they ‘impoverish millions of developing-country farmers who would otherwise *profit from their ability to more cheaply produce* cotton, sugar, or corn’ (emphasis added). While farmers in peripheral states indeed lose out to their Western counterparts who are showered with state support, this rationale once again is seduced by the Ricardian delusion of comparative advantage and paradoxically proposes a *Faustian bargain*: that poor countries run the risk of specializing in being poor by producing (if at all) low-value, unscalable export goods that can compete with first-world markets *under free trade conditions*. Christensen (2018, p. 101) calls this *sectoral equal access reciprocity*. In a rather different mood, the World Bank (1987, p. 167) once unconvincingly levelled that nonreciprocal trade liberalization is a ‘Faustian bargain’ to the detriment of economically weaker beneficiary states, which would ultimately lose their ‘voice in reciprocal trade negotiations and [find] themselves open to attack by protectionists in the industrialized countries, who accuse them of unfair trade’. Notwithstanding historically illiterate northern naysayers who seem to conveniently forget that their states in fact erected a barricade of protectionist trade policies to allow their now mighty industries to flourish—something that Reinert (2008) argues far more elegantly than I ever could, castigating special and differential treatment for the economically crippled as an *unfair trade practice* is simply outrageous and contradicts the very spirit of the WTO Enabling Clause.

Under the weak standard of equal opportunity, it does not suffice to take into account the significance of agriculture to developing markets and least developed countries (LDCs) by simply not discriminating against them in terms of market access or subsidies. What we radically require is the strong equality of opportunity principle to address background inequalities in vulnerability and supply-side capacities, both within the agriculture trade regime and in the global economy more generally. Furthermore, if we follow Christensen (2018, p. 105), fairness demands a departure from *special interest reciprocity* wherein a country pries open a sector of special interest to another, while the latter reciprocates by liberalizing a sector considered important by the former, as typically negotiated in free trade pacts. The policy implication is clear: affluent states should liberalize sectors of special interest to peripheral states even though the recipients of these nonreciprocal concessions continue to protect sectors otherwise considered valuable by preference-granting countries. This would truly enable producers in economically marginal states to leave their domestic

farming markets unmolested while they develop, as advocated by longstanding developing-country proposals on subsidies and protection within the Doha Round.² Agriculture, of course, is only one sector. For example, Suttle (2017) contends that equal opportunity in global trade not only depends on the inherent structural inequities in the world economy, but also on the more technical aspects of the current trade regime itself, such as border measures, development provisions, trade remedies, and domestic regulation. Additionally, considering economic development in a holistic worldview, we can even more ambitiously frame the fairness issue from the prism of *economic complexity* given that ‘the ability of an economy to both generate and distribute income is strongly correlated with the mix of products a country is able to produce and export’ (Hartman et al., 2017, p. 83). As the following section shows, the innovation of *special interest non-reciprocity* beyond agriculture has already found some level of expression when the EU unilaterally exempts nearly *all* LDC imports from tariffs and quotas in a bid to handhold the most vulnerable economies in diversifying their export baskets.

Strong Form of Equal Opportunity: Level-playing-field Principle, Trade Preferences, and Subsidiary Compensation

Beyond the principle of nondiscrimination in international trade, a strong form of equal opportunity in the global economic system necessitates an even playing field between otherwise asymmetrical trading partners. More precisely, this entails, if we bear in mind Roemer (1998), a global trade regime that endows developing countries with ‘opportunity sets’ – preferential treatment that empowers them to take advantage of development outcomes from international trade. Based on our earlier theoretical reflections, the normative idea(l) of strong equal opportunity in international trade demands special and differential treatment for low-income states through diffuse reciprocity, preferential market access concessions, and capacity-building support by advanced and emerging economies. In this segment, I comb through the current state of the art on these policies and expose when and how they partially fulfil, or fall short on fulfilling, the strong standard of equal opportunity.

Preferential Trade Concessions by Northern Patrons

Accounting for about a third of total world trade (Eurostat, 2018), the US and the EU each operate a triad of trade preference programmes that seek to enhance the trading capabilities and create better export opportunities for less industrialized countries. On the one hand, the US implements three major preferential schemes in favor of underdeveloped states, except those that are constitutionally communist (USTR, 2017). Effectively, this proviso disqualifies the likes of Cuba, Laos, and Vietnam from the list of countries nominally eligible for US

² See https://www.wto.org/english/tratop_e/agric_e/negs_bkgrnd14_devopcount_e.htm.

trade benefits. Predating the adoption of the GATT/WTO Enabling Clause itself in 1979, the US Trade Act of 1974 instituted an American generalized system of preferences (GSP). Today, the US GSP applies a duty-free treatment on imports from more than 120 developing countries for up to 3,500 tariff lines for all developing countries and an additional 1,500 for LDCs (USTR, 2017). Any sitting US president, however, enjoys discretionary powers to withhold GSP benefits as to ‘the extent to which such [GSP] country has assured the US that it will provide equitable and reasonable access to its markets’ (Ibid., p. 20). Despite the seemingly extensive tariff concessions that the US bestows to poorer states, the attendant condition for reciprocity debauches the moral foundations of GSP, which ought to be non-reciprocal in nature.

Launched in 1983, the Caribbean Basin Initiative (CBI) allows imports from developing Caribbean states to enter the US market at duty-free and quota-free rates for ‘most goods’ (USTR, n.d.). Although these products include apparel and textiles, which are of special export interest to certain CBI states (especially for Haiti³ and Belize⁴), the US decrees that CBI-made clothes should be ‘assembled ... from US fabrics formed from US yarns and cut in the United States’ in order to qualify for US trade preferences (USTR, 2015a, p. 3). From the perspective of southern states, there is something quite rank about this double policy paradox on rules of origin requirements: essentially, affected CBI beneficiaries are not only systematically blocked from developing their own productive structures and synergies, but also now have to pay the price for the ‘privilege’ of trading with the richest country in the world through full cumulation of US materials! This horse-trading trumps any morally defensible claim that an advanced state is looking after the economic needs of disadvantaged nations from the standpoint of equal opportunity.

Another regional arrangement is the African Growth and Opportunity Act (AGOA). Enacted in 2000, AGOA grants duty-free access on certain goods produced in beneficiary countries from sub-Saharan Africa to the US market. The US, however, often leverages to suspend the provision of GSP benefits when participating countries fail to meet specific eligibility conditions. For example, the White House took steps in 2015 to suspend South Africa’s GSP benefits unless the beneficiary ‘meets certain benchmarks to eliminate barriers to US poultry, pork, and beef’ (USTR, 2015b). Reeking of mercantilist motives, this offensive market access practice bastardises the very foundation of GSP schemes: diffuse reciprocity. Arguably, the potential of these preference schemes to encourage more trade from developing countries is also limited by other factors, such as the narrow scope of product coverage and political conditionalities. In the case of AGOA, preferences are mainly confined to textile and apparel sectors and do not include agricultural commodities, while the imposition of conditionalities related to Western standards of good governance, neoliberal economics, and democracy deter trading partners from taking full advantage of the arrangement (Kebonang,

³ See <https://atlas.media.mit.edu/en/profile/country/hti/>.

⁴ See <https://atlas.media.mit.edu/en/profile/country/blz/>.

2007). Indeed, both Grossman & Sykes (2005) and Panagariya (2003) rightly argue that ‘by implementing such side conditions donor countries *de facto* introduce a substantial element of reciprocity into GSP’ (as cited in Herz & Wagner, 2011, p. 764).

On the other hand, the EU also sponsors a three-headed structure of differential trade benefits for disadvantaged economies (European Commission, 2018). The most preferential of EU (if not all) GSP arrangements is the Everything But Arms (EBA) initiative, established since 2001 as a special incentive framework for LDCs. This scheme radically opens up the European Single Market to all imported goods produced in LDCs, except weapons; neither tariffs nor quotas are levied under this framework. However, EBA has not always been inclusive: controversial transition periods for three ‘sensitive’ products (namely sugar, rice, and banana) were not fully lifted until 2009. Although some EBA-dependent countries, such as Bangladesh and Cambodia, have over the years famously developed export-oriented productive structures, mainly in garment and agriculture, economists remain pessimistic about the trade-stimulating, export-diversifying, and poverty-reducing effects of EBA, especially for African, Caribbean, and Pacific (ACP) LDCs, the largest group of beneficiaries under the scheme (Gradeva & Martínez-Zarzoso, 2016). What further compounds these tensions is that ACP LDCs now find themselves at a difficult crossroad. Under the EU-ACP Cotonou Agreement, reciprocal trade agreements are set to replace the nonreciprocal market access benefits previously granted to ACP exporters by the now defunct Lomé Conventions (Faber & Orbie, 2009). As I referred to earlier, Senegal and Cameroon are now beginning to suffer from the demands of full reciprocity following the EU’s shift in policy paradigm for ACP states. In a kind of *austerity of altruism*, this regime change will effectively shrink the number of EBA beneficiaries from 47 to at least 36,⁵ thereby breaking faith with the rather faux-salvific promise of the EU to champion the interests of the ‘most vulnerable’ in the multilateral trading system according to its *Trade for All* strategy (European Commission, 2015, p. 27). More African states risk losing their EBA status as they transition from EBA to the Cotonou regime.

Two less preferential arrangements relate to the EU’s broader GSP scheme dating back to 1971. The standard EU GSP scheme automatically benefits eligible low-income and lower-middle income countries through the coverage of under 66 per cent of tariff lines at either reduced or zero tariff rates. The enhanced EU GSP+ scheme extends the coverage to over 66 per cent of tariff lines at zero tariffs; here, ‘vulnerable’ countries need to *voluntarily* apply for better tariff terms and prove their enforcement of relevant international conventions on good governance, labor rights protection, and sustainable development. When it comes to the EU, wedding trade and development objectives to political aims should not

⁵ This is based on the number of reciprocal EPAs that the EU has already concluded with ACP LDCs, including Angola, Democratic Republic of the Congo, Gambia, Haiti, Lesotho, Madagascar, Malawi, Mauritania, Mozambique, Rwanda, and Zambia. See http://trade.ec.europa.eu/doclib/docs/2009/september/tradoc_144912.pdf.

surprise anyone, given the EU's formal treaty obligations to promote democratic principles in its external relations (see Article 21, Treaty on European Union). As in the US case, the utilization rates of EU trade preference systems have been generally suboptimal. For example, while total potential eligible exports from the Philippines had been expected to reach about €14 billion for the period 2003 to 2012 under the standard GSP regime, actual GSP utilization by Philippine exporters for the same period only reached €7,5 billion (Van Hattum, 2014). Underutilisation of GSP benefits is also the case for other eligible Southeast Asian states, namely Indonesia, Thailand, and Malaysia (Perlada, 2015). Critics often berate, with reason, that rules of origin requirements make it cumbersome for developing countries to comply with technical specifications for their exports to be GSP-eligible (Brown & Stern, 2007, p. 295). Nevertheless, we do not find any US-like full cumulation requirement in the EU GSP universe. As a general rule, bilateral cumulation applies to all EU trade preferences. This means that producers in GSP countries may *freely* choose to source EU-made materials so long as the GSP beneficiary actually performs domestic processing activities more than the standard minimum levels. The EU also provides a leeway to their GSP users in terms of regional cumulation.⁶ For example, an exporter from the Philippines is permitted from importing allowable quantities of raw materials from an Indonesian supplier, without having their finished export goods disqualified from EU GSP+ benefits. In effect, the EU promotes domestic manufacturing industries in developing economies and also indirectly encourages South-South regional supply-chain integration; this is true for eligible exporters in Southeast Asia, South America, and South Asia.

Alternative Preferential Trade Concessions by 'Unusual Suspects'

Western democracies certainly do not command a monopoly of altruism in global trade, as a number of emerging and developing countries have similarly instituted preferential trade agreements for low-income countries. Together representing 17 per cent of global trade (Guicci, 2018), the Eurasian Economic Union (EAEU) and the People's Republic of China (PRC) also discharge special and differential treatment to underdeveloped countries.

The EAEU, a customs union comprised of Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan, operates a common system of trade preferences (a parallel outfit mimicking Western GSP schemes) to support the economic growth of developing and least developed countries through international trade. Established only recently in 2015, the EAEU scheme provides special market access to 103 developing countries and 48 LDCs and cover around 24 per cent of all tariff lines (WTO, 2016). Article 36 of the EAEU Treaty eliminates 25 per cent of tariffs for imports from developing countries and abolishes all tariffs for eligible products originating in LDCs (Eurasian Commission, 2014). A cursory glance at the EAEU's

⁶ For more practical details about EU rules of origin, see <https://trade.ec.europa.eu/tradehelp/rules-origin-generalised-scheme-preferences>.

schedule of tariff concessions would reveal that, just like other donors, Russia also deliberately excludes key agricultural commodities (namely wheat, potato, spirits, and barley) from the list of eligible import products. Although dismissed at once by Western observers as Russia's 'primary vehicle for realizing a global geopolitical agenda' (Dragneva & Wolczuk, 2017, p. 24), the EAEU's initiative should be embraced as a welcome belated reaction by post-Soviet states to wider multilateral calls on supporting economic laggards to catch up with the industrialized world, regardless of the political regimes of donor and recipient states. Indeed, in the politics of nonreciprocal trade preferences, Western preference-awarding states, except the US, do not generally discriminate against GSP beneficiaries on the basis of their political leanings. Virtually all states benefitting from EU GSP schemes are not what neoliberal agents would define 'full democracies' (the EU has even recently signed a free trade agreement with Vietnam, a single-party socialist state!). Warranted or not, illiberal types tend to gravitate towards the EAEU model. To illustrate the point, the Philippines, presided by Mr Rodrigo Duterte who is roundly condemned as a populist and authoritarian strongman in the West, openly sought Russian aid to support its exporters to utilize EAEU preferences (BusinessMirror, 2018). Whether or not this tendency conforms to what Žižek (2018) calls 'capitalist socialism', does this tendency not reveal a blotch in the supposedly sacrosanct script that democracy and capitalism *should* go in unison? To further compound this puzzle, even Brussels- and Washington-types would find the 'soft' conditionalities or public policy goals enshrined in the EAEU's GSP system agreeable: the Eurasian Commission is prepared, on paper at the very least, to temporarily suspend tariff cuts for beneficiary countries that do not take appropriate narcotic drug controls, anti-money-laundering initiatives, and counter-terrorism measures, among others (Eurasian Commission, 2016, para. 14).

A former GSP recipient itself, the PRC became the first emerging economy to fulfill one of the market access requirements prescribed by the WTO Hong Kong Ministerial Conference in 2005, when it provided duty-free and quota-free access for at least 97 per cent of products imported from LDCs in 2015. Not all LDCs, however, benefit from the Chinese GSP system, since LDCs need to maintain diplomatic relations with the PRC government to qualify for special market access privileges. Given that the implementation of Chinese trade preferences, established since 2001, had been staggered in three phases in 2010, 2013 and 2015, only 24 African LDCs that have exchanged 'letters of agreement' with the PRC government effectively enjoy full access to 97 per cent of China's current tariff privileges (UNCTAD, 2016). Additionally, critics argue that the Chinese GSP regime restricts the importation of key agricultural commodities produced in African LDCs and subjects apparel and textile manufacture under tariff rate quotas and convoluted rules of origin (Bayona et al., 2017). Ultimately, these bureaucratic formalities and market access restrictions, compounded by the fact that Beijing does not extend broader GSP concessions to developing countries, undermine China's potential largesse to support all low-income nations in further integrating within the global trade system that it now vigorously champions.

Compensatory Bundles Beyond Trade Preferences

Are trade-as-aid policies by northern and emerging economies sufficient to redress background inequalities and enhance welfare outcomes in the developing world? Both the US and the EU recognize that, in order to optimize the development potential of their trade preferences, extra compensatory support is needed to address supply-side challenges in, and boost the international economic competitiveness of, developing countries through aid-for-trade (AfT) programmes. The US considers itself ‘the largest single-country provider of trade capacity building assistance in the world’ as it has transferred over \$6 billion of AfT assistance since 2001 to more than 110 countries (USAID, 2013). It also co-finances the WTO’s trade capacity-building programme for developing member countries (USTR, 2012). Similarly, the EU touts itself as a leading source of AfT support globally. Under its AfT strategy, the EU has committed to earmark some €2 billion of AfT assistance per annum since 2010. One of the important aspects of this framework is the EU’s trade-related technical assistance (TRTA) programme. TRTA is designed to help the EU’s developing trade partners to better integrate in world markets by providing their domestic institutions with technical, sectoral, and capacity-building assistance (European Commission, 2013b). Hühne and others (2014) have found a statistically significant positive correlation between the increase of exports from AfT recipients to donors, and vice versa. They have also empirically approximated that AfT donations from OECD, an elite group of predominantly affluent countries, tend to improve South–South trade relations. These findings seem to contradict pessimistic assumptions that the motive behind the provision of AfT grants to developing countries is mainly to advance the economic interests of developed countries.

Despite their structural flaws and relatively limited coverage, the EAEU and PRC preferential trading arrangements are underpinned by corresponding disbursements to the developing world. Although the effects of official development assistance, let alone AfT support, from the key sponsor of the EAEU project remain virtually underexplored, Russia’s more pronounced aid activities demand a closer look. Programmatically, development aid from Moscow seeks, *inter alia*, to foster trade partnerships globally and has increased nearly four-fold from \$231 million in 2010 to \$902 million in 2015. Russia finances a diverse mix of development projects ranging from education to public financing in Central Asian, Latin American, and African states (Asmus et al., 2018). Given the opacity of AfT activities carried out by Moscow and the relatively recent establishment of EAEU trade preferences, future research should explore the economic effects of Russian trade-related development assistance on the export performance of beneficiary countries and closely follow how the EAEU’s system of preferential tariffs will evolve in the following years, in meeting the recommendations set out by the WTO Hong Kong Ministerial Conference on special and differential treatment.

According to OECD estimates, Chinese AfT amounted to \$743 million between 2006 and 2011. Beijing’s trade-related assistance mainly constitutes big-ticket infrastructure

development projects (such as roads, ports, and production plants) and capacity-building programmes that draw on Chinese suppliers and technical know-how (Hayashikawa, 2015). While Chinese development efforts are unapologetically commercial in nature and emphasize the twin principles of South–South cooperation and respect for national sovereignty, further studies need to investigate whether and to what extent the decoupling of ‘hard’ political conditionalities from AfT provision enhances the effectiveness of Chinese GSP benefits for LDCs.

Discussion

This article has argued that existing preferential trade regimes and compensatory schemes by both Western and Eurasian economies partially satisfy, in oscillating degrees, the demands of a strong conception of equal opportunity in global trade relations. With reason, it would be quite futile to distill a cross-sectional analysis of the different trade-for-development programmes briefly presented here, given their heterogeneity in size, shape, and substance. Nevertheless, for our purposes, a number of damning contradictions and weaknesses can be charted to demonstrate that some benefactors do worse or better than others at satisfying the strong standard of equal opportunity in trade. First, let us recall that a just trading arrangement between unequal partners rests on the *nonnegotiable notion of diffuse reciprocity*. Indeed, by definition, all GSP schemes should be nonreciprocal in nature: it is dubious for donors to demand special interest reciprocity to access their beneficiaries’ domestic markets under what Suttle (2017, p. 218) calls ‘hortatory and permissive schemes’. And yet, current US GSP legislation hijacks this fundamental principle in broad daylight, when the executive branch openly bullies beneficiary states into prying open their domestic markets to US special export interests, lest GSP benefits will be withheld. Interestingly, the EU, EAEU, and PRC schemes do not feature any similar legislative content in a stark contrast to the US model that overtly annexes reciprocal market access conditions to GSP eligibility.

Second, a strong standard of equal opportunity dovetails with the well-known Rawlsian difference principle. Asymmetries in the distribution of trade gains are considered unfair whenever they do not benefit the least advantage, as in the case of mutual trade liberalization between rich and poor states. The difference principle requires a system of tilting the merits of trade in favor of developing and least developed countries. While I applaud extant special and differential treatment initiatives simply for the fact that they exist (pending a better system), these projects remain a highly (s)elective business and a less travelled route for trade liberalization. The total number of nonreciprocal preferential schemes pales in comparison to more than 300 reciprocal trade agreements. Aside from the schemes discussed here, eight other OECD countries operate their own GSP programmes, while another eight offer LDC-only schemes.⁷ An outfit called the Global System of Trade Preferences also promotes

⁷ The following OECD members also maintain their own GSP programmes: Australia, Canada,

South–South preferential trade cooperation among 43 participating states.⁸ To say nothing of their uneven application and programmatic effectiveness, the combined moral weight of these preferential initiatives is limited by politico-economic conditionalities, counterintuitive technicalities, and limited liberalization. This is certainly not a novel claim, since Garcia (2003) cautioned us much earlier on about the moral pitfalls of donor discretion.

Given the highly discretionary nature of current GSP systems, donors tend to muddle supposedly development policies with foreign policy objectives. China obligates LDC beneficiaries to exchange ‘letters of agreement’ with them, implying that those not diplomatically kowtowing to the Chinese Communist Party are barred from taking up their trade preferences. The Russia-led model differs operationally, because the EAEU’s ‘soft’ conditionalities relate to internal public policy measures, especially in the area of security, that even small-l liberals in wealthy democracies would find laudable. Similarly, both US and EU donors threaten to withdraw GSP concessions if their beneficiary states flout not only good governance aims, but also democratic principles, such as the rule of law and human rights. Even if we accept tentatively that exerting political conditions can be morally justifiable in curbing governance anomalies in target countries, as James (2012) also argues, preferential trade restrictions should not be leveraged by donors to gain political capital. Among our quartet of trade benefactors, only the US engages in horse-trading when it actively seeks to extort material gains from their trade preferences by demanding poorer beneficiaries to grant special market access to US exporters. Does this vulgar moratorium not evidently equate to a sort of *mutual trade reciprocity by the back door*? Of course, I am not claiming that the US is unique in this apparently mercantilist practice. In fact, the EU also pursues offensive market access strategies in lesser developed foreign markets, sometimes by co-opting and orchestrating domestic intermediaries (Alcazar III, 2019), but this functionalist exertion of market power occurs outside the contours of special and differential treatment. Ultimately, the strong standard of equal opportunity would require donors to extend their trade preferences to underprivileged states on a permanent basis, until the circumstances of background asymmetries improve (Garcia, 2003). Suttle (2017, p. 217) presents a valid counterargument relating to the WTO Appellate Body’s ‘recognition that the positions of developing countries vary, and that those facing particular development challenges may have good claims to have those challenges recognized and addressed through the regulation of international trade.’ Until a better preferential trade system emerges, this measured acceptance of donor conditionalities does not negate the notion of differentiation. On the contrary, it accepts the agency of mutual agreement in deliberating the *raison d’être* of preferential conditions and the conciliatory role of the UNCTAD as a legitimate voice of

Iceland, Japan, New Zealand, Norway, Switzerland, and Turkey. Trade preferences for LDCs are additionally offered by: Chile, India, South Korea, Montenegro, Morocco, Taiwan, Tajikistan, and Thailand. See: <http://ptadb.wto.org/ptaList.aspx>.

⁸ See: <https://unctad.org/en/Pages/PressRelease.aspx?OriginalVersionID=65>.

the Global South in contesting donor conditions against internationally accepted standards (ibid., pp. 222–223).

Another rather irritating quirk of preferential trade donors pertains to counterintuitive rules, especially concerning rules of origin. Economists have already well-documented that complex requirements on proving the source of eligible products deter beneficiaries from activating their preferential status. Indeed, this partially explains why the more dated US, EU, and Chinese trade privileges tend to be generally sub-utilized, while virtually nothing or very little is known about how the EAEU's relatively relaxed rules of origin could affect its *ex post* effectiveness, owing to the simple fact that the Russian-led scheme is still fresh from the oven. To my knowledge, the specific concept of cumulation curiously does not garner sufficient attention from trade policy analysts, despite its significance in shaping synergetic productive processes in beneficiary states. In principle, the more moderate tolerance or *de minimis* requirements are, the better for GSP-eligible exports, since they lubricate local manufacturing industries and provide enough breathing space to producers when sourcing raw materials on the basis of their needs. Curiously, nowhere do we find the most authoritarian rules of origin except in the US GSP arrangement: garment exports from developing countries should be made out of stateside-only textiles if they were to enter US customs tariff-free. To add insult to injury, this policy could potentially have disastrous effects on the development movement in southern states, as economic operators there are forced to 'specialize' in low value-added production. If we accept nonreciprocal trade privileges as the means to justify between-state inequalities in line with the difference principle, it follows that any technical conditions to those privileges should benefit the least advantaged states, not the more developed granting states (Garcia, 2003).

A third equally crucial argument why current special and differential treatment projects fall short on satisfying the strong standard of equal opportunity relate to the limited liberalization of key rich-world markets. If we examine the existing agricultural support schemes of the US and the EU, there remains a strong need for a *more meaningful and autonomous liberalization* of their highly subsidized agricultural sectors to improve market access opportunities for developing countries and LDCs. Any rhetoric premised on the trade-development nexus contradicts the defensive transatlantic stance on agriculture and reluctance to extend more significant concessions in multilateral negotiations – both seriously weaken US and EU efforts to benefit countries through export opportunities. Nearly all donors de-select certain sectors that are of special interest to their import-sensitive homegrown firms from unilateral liberalization. Even when they do the exact opposite, donors subvert what they 'clothe' as tariff concessions to poor states by succumbing to parochial commercial interests, as in the case of US-Caribbean apparel trade. To be fair, the EU presumably runs the most generous and extensive GSP arrangements; its sliding scale of preferences correspond to the respective beneficiaries' national incomes, so that the least advantaged receive the most preferential treatment. Indeed, the EU minted the *Everything But Arms* initiative precisely for this reason and not long after the infamous anti-globalist Seattle protests in 1999. The

EBA regime offers a near universal coverage of LDC-originating products (save arms and ammunition) and, as such, represents an ideal best practice for other donors to emulate. While it has had its successes in some LDCs, the unmatched generosity of EBA is now being threatened by recent paradigmatic shifts in the EU's post-Lomé trade and development policies, which abdicate the principle of non-reciprocity over more mutual trade liberalization with economically less powerful ACP states. In the same vein, the strategic exclusion of sensitive agricultural and manufactured commodities in the otherwise comprehensive Chinese GSP scheme for LDCs disadvantages relevant exports, especially from Africa. As for the EAEU system, the present tariff cuts, equivalent to a quarter of the custom union's product tariff lines, severely fall short of meeting the near-universal product coverage of at least 97 per cent, as prescribed by the 6th WTO Ministerial Meeting in Hong Kong last 2005; key agricultural commodities, thus, remain shielded from unilateral EAEU tariff discounts. Insofar as economic harm would befall rich-world workers due to foreign competition, Christensen (2018) maintains that domestic income gains from trade liberalization may be redistributed in a manner that benefits both sides in GSP donor-recipient relations. Hence, from the perspective of just trade, Garcia (2003, p. 160) warns us that strategic omissions of special interest sectors from GSP product coverage 'run counter to a state's moral obligation to structure its preferences in the best interests of the recipient states'.

Finally, the strong standard of equal opportunity does not halt at advocating diffuse reciprocity and preferential treatment for the least privileged. Given that some states may be so disadvantaged that they remain systematically crippled to compete in the global marketplace *in spite of external concessions*, the difference principle also demands that resource transfers from northern and emerging economies complement preferential trade programmes and development instruments, which play a crucial role in boosting the trading prospects of poorly endowed countries. While we see encouraging evidence on the performance of existing aid-for-trade schemes run by OECD donors, future economic research should study the effectiveness of Russian and Chinese compensatory handouts on the capacity of their beneficiaries to trade, while controlling for the absence of Washington Consensus-type reforms as a quintessential precondition for disbursing most northern alms to states in dire straits. Of course, without letting these non-Western schemes' potentially self-serving oddities off the hook, such an analysis would reveal whether and how decoupling the usual neoliberal impositions from GSP programmes could impact the integration of left-behind states into the global marketplace.

From a more subsidiary point of view, it is apt to raise at this juncture the before/after principle as formulated by Roemer (1998). Inasmuch as the wealthier members of the international community may have the moral obligation to redress between-country inequalities in economic opportunities *before* their disadvantaged counterparts can compete ably in international trade, Roemer's principle similarly implies that beneficiary countries should assume a 'Sartrean-esque' responsibility in articulating necessary institutional and structural adjustments domestically *after* external interventions, in the form of trade preferences and

resource bundles, have been offered to them. From this qualified perspective, we can preface that some donor conditions may be morally just *if and only if* they shape public policies that ultimately stimulate welfare-enhancing productive structures in GSP recipient states, but we must unambiguously yield that ‘those choices must express the shared value of economic development, as understood by the states affected’ (Suttle, 2017, p. 223). This standpoint differentiates Suttle’s conception of ‘equality in global commerce’ as it justifies what he calls ‘external trade measures’ and subjects them to ‘a reasonable principle of self-determination’ (Suttle, 2017, p. 205).

Differentiation in global trade is an unfinished business. Operationalizing it in a manner that strongly advances equal opportunity to trade would be a laborious swim against the tide. We see a dip in foreign direct investments, as most northern economies sequester themselves from internationalism, whereas developing markets in Asia aggressively pursue more economic openness to fuel growth (Romei, 2019). In the politics of GSP concessions, the world’s heftiest economy obfuscates the very notion of trade justice with tit-for-tat reciprocity, when President Donald Trump threw a trade tantrum against India (in no less than a tweet!) and dictated the abolition of special trade concessions on the poverty-stricken South Asian country’s \$6 billion worth of exports to US markets (The Economist, 2019). By the same token, the EU has instigated the process of suspending Cambodia’s EBA privileges due to alleged democratic backsliding by the ruling one-party regime there and in a paradoxical move that would dramatically paralyze the livelihood of manual workers, most of whom are women, in the country’s export-dependent garment industry (Chhoeun, 2019).

In the face of all these tussles, what we need to radically re-energise trade in a much fairer fashion is, perhaps, to rethink a *progressive depoliticization* of special and differential treatment schemes, despite the death of Doha, as decreed by the Financial Times (2015), not because of it. This would quell any first-world condescension that countries that have successfully graduated from their low-income status, thanks to international trade, are simply not pulling enough weight in the system, while also addressing the development woes of those still left languishing. Fortunately for us, there is no shortage of sensible policy ideas from trade luminaries. In a kind of ‘New Deal’ for global commerce, Stiglitz and Charlton (2005) floated a global market access proposal based on binding multilateral treaty obligations and a progressively sliding scale of trade preferences (not unlike to what we encounter in the EU GSP schemes at present). Their basic premise is that all developing and least developed countries would be entitled to permanent nonreciprocal access to all markets with (1) a higher gross domestic product and (2) a higher GDP per capita. Although these empirical thresholds could be judged by more holistic indicators, such as economic complexity (Hartman et al., 2017), the proposed scheme’s notional and procedural content fits our strong conception of equal opportunity. More specifically, it escapes the drawbacks of donor discretion by replacing current GSP silos with an objective and enforceable system that offers meaningful nonreciprocal liberalization, especially between South–South states, and structures both obligations and opportunities according to each participant’s economic

strengths and needs. This policy proposition evokes a solidaristic pyramid of preferences where most of the heavy-lifting falls on the most economically muscular, while newly industrialized economies rightly assume more positive duties towards the counterparts they have now outpaced. As a result, the proposed scheme is designed to reserve the most preferences to LDCs. Rejecting the need for renegotiation, it also automatically awards trade benefits based on the changing circumstances of countries in a dynamically shifting world economy (Stiglitz & Charlton, 2005). In a post-Doha development round, the challenge for countries outside the elite club of OECD states is not only to clamor for a more inclusive preferential market access system, but also to veto northern conditionalities and technicalities that constrict their development space.

Understanding the notion of just trade merits our attention ever more today, not least because of the normative instincts of GSP patrons in global governance and the rising tide of trade pessimism in affluent democracies. Given these geopolitical tendencies, donors' abrogation of altruistic concessions looms large over middling or marginal states and could effectively upend the idea(l) of equal opportunity in global trade.

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