# Small Developing Economies in the World Trade Organization

**By**

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## I. THE ISSUE

Small developing economies have structural and institutional characteristics, which affect the process of economic growth, constrain their ability to compete, increase their vulnerability to external events and limit their capacity for adjustment. These characteristics are sufficient to identify small economies as a distinct type of economy. Given the high degree of openness of small economies external events and developments have a very significant effect on their economic growth. The way in which these economies participate in the world economy and their internal economic management and structural adjustment are the critical determinants of their economic progress. The benefits of sound economic management can only be realized if international economic arrangements are complementary and do not frustrate these efforts e.g. by protectionist barriers to export markets. Therefore the participation of small states in international trade arrangements is critical to their economic development and is an issue that must be examined and adequately addressed. In this regard, the treatment of small developing economies in the WTO agreements is particularly important.

### A. CONTEXT

The majority of states in the world are small; indeed, the number of small countries has increased significantly in recent decades. At the time of World War I, there were 62 independent countries. By 1946, that number had risen to 74, currently, there are 193. Of this total, 87 countries have a population of less than 5 million, 58 have fewer than 2.5 million people, and 35 have less than 500,000 people. The proliferation of small states is a trend, which could continue if states fragment as they have in recent years in Eastern Europe and Africa.

### B. RECOGNITION

The political integrity and security of small states has long been recognized as important issue in international relations, and hence is reflected in many academic and policy studies. More recently, there has been a growing awareness of the critical question of the economic viability of small countries. The Commonwealth Secretariat has kept this matter under review and the Commonwealth Ministerial Group on Small States has emphasized "the need for the international community to recognize the multidimensional nature of the vulnerability of small states" and called for action to ensure that small states fully shared in the benefits from globalization, regionalism, and international trading arrangements, and were not marginalized. The Free Trade Area of the Americas process, since its inception, has included a Working Group on Small Economies. At the Second WTO Ministerial Conference, the Ministers were deeply concerned over the marginalization of "certain small economies" and they recognized the urgent need to address this issue. The draft document, which was the basis of the aborted negotiations at the Seattle Ministerial in November 1999, included references to small economies.

Small economies as a distinctive genre of economy attracted the interest of academics in the 1960s.Subsequently several technical studies of a policy oriented nature have been carried out on small economies and in particular small island states by the Commonwealth Secretariat, the World Bank, UNCTAD, the Free Trade Area of the Americas (FTAA) Working Group on Small Economies. There is a general consensus in these studies that small economies have characteristics which distinguish them as a particular genre of economy and these features are constraints on their capacity for trade and development.

## C. IMPORTANCE

Small economies more than any other group of countries needed a rule based multilateral trading system and it is in their vital interest that rule making be conducted within the WTO where their limited leverage in bilateral negotiations with larger countries is not an impediment. The effective participation of small economies in the WTO agreements would help to establish universal membership in the WTO, thereby contribute to ensuring that all countries are conducting international trade under mutually agreed upon rules and disciplines. It will also promote trade liberalization in the global economy to the benefit of economic development in these countries and the global economy as a whole. The absence small economies from the WTO could cause disruptions in international economic transactions, which would hamper the growth of international trade and investment and the emergence of a seamless global economy.

## II. DEFINITION OF A SMALL DEVELOPING ECONOMY

There is no single definition of a small developing economy, undoubtedly because size is a relative concept. Definitions based on quantitative criteria vary considerably because they employ different criteria and select different defining figures.

Various international organizations classify countries into categories according to selected indicators for operational and analytical purposes. The classifications used by international organizations mainly relate to per capita income levels, indicators of development status, and some selected concept of "size." While the main classification criterion used by institutions such as the International Monetary Fund (IMF), the World Bank, and the United Nations for establishing country categories is the level of per capita income, these institutions also classify countries by aggregate income levels, the types of goods exported (e.g. fuels, non-fuel primary products, manufactures, or services), and by fiscal structure. The World Bank also groups economies with populations fewer than 1 million in a separate table of the World Development Report. The WTO follows the U.N. country classification, and for budget purpose also makes use of the income criterion adopted by the World Bank. Under the WTO classification, countries with less than U.S.$1,000 of per capita income may consider themselves as falling in the "least developed" category in terms of the obligations and disciplines set out in the Uruguay Round Agreement.

The definition of what is a small developing economy is an issue, which can be resolved technically and should not be allowed to delay substantive discussions on the appropriate treatment of small developing economies. The definition of "small" in relation to economic size is usually based on one or more of the criteria: population, land area, and GDP, and could be arrived at by consensus. In addition, the principle of "self-selection" can be applied as it has been done for development status under the GATT system and now under the World Trade Organization (WTO).

## III. CHARACTERISTICS OF SMALL DEVELOPING ECONOMIES

Small developing economies have certain characteristics, such as a high degree of openness, limited diversity in economic activity, export-concentration on one to three products, significant dependency on trade taxes, and small size of firms.

**1. High Degree of Openness**

External transactions are large in relation to total economic activity, as indicated by the high ratio of trade to GDP. There is heavy reliance on external trade because of a narrow range of resources and the inability to support certain types of production, given the small scale of the market. Economic openness is measured by imports and exports of goods and services as a percentage of GDP.

**2. Export Concentration**

The limited range of economic activity in small economies is reflected in concentration on one to three exports, accompanied in the majority of cases, by a relatively high reliance on primary commodities. In extreme cases, one primary product export accounts for nearly all of exports, e.g., in 1991, bananas accounted for 92 percent of total exports in Dominica and 87 percent in St. Lucia.

**3. Export Market Concentration**

Export concentration is compounded by the dependence on one or two export markets, e.g. Britain absorbs 80 percent of Dominica's bananas and 90 percent of St. Lucia's exports.

**4. Imperfect Markets**

The small size of markets in small developing economies results in market structures, which are characterized by substantial imperfections. These derive from the limited number of participants and in many cases there are monopolies and oligopolies. Even where there are a large number of producers or traders, one or a few firms effectively dominate the operation of markets both in the financial as well as the real sector.

**5. Small Size of Firms**

Firms from small countries are small by comparison with multinational corporations and firms in large economies. Small firms are at a disadvantage in the global marketplace because they cannot realize economies of scale, are not attractive business partners, and cannot spend significant funds on marketing, research and development. Comparing 1996 total sales of the largest national firms, General Motors (US - $164 billion) is 9 times larger than Petrobas (Brazil - $17 billion), which in turn is 35 times larger than Neal & Massey (Trinidad & Tobago - $0.5 billion). Sales and employment of some multinational corporations are larger than the GDP and population of many countries.

**6. Dependence on Trade Taxes**

There is a high dependence on trade taxes as a percent of government revenue in small developing economies. Trade taxes account for more than one-half of government revenue in St. Lucia, Belize, and the Bahamas, and over one-third of government revenue in Guatemala and the Dominican Republic.

**7. Physical Vulnerability**

One of the peculiarities of small developing countries, particularly small islands, is the fragility of their ecologies, the prevalence of natural disasters and their susceptibility to the environmental impact of economic development. The World Bank has estimated the impact of a natural disaster on a small economy and its financial sector can be far more devastating than it is on a large economy, where the damage is relatively localized. For example, the damage to Jamaica from Hurricane Gilbert in 1988 amounted to about 33 percent of GDP; to Antigua from Luis and Marilyn in 1995, to about 66 percent of GDP; to Montserrat from Hugo in 1989, to about 500 percent of GDP. In comparison, the damage to the United States from Hurricane Andrew in 1992, while much larger in an absolute financial terms, amounted to only 0.2 percent of GDP.

## IV. IMPLICATIONS OF SIZE

There is no direct correlation between size and rate of economic growth and level of development. This is evident in the fact that many countries, which are small in terms of standard indicators such as population, land area and GDP, are ranked favorably according to levels of GDP per capita and the UN's Human Development Index. Nevertheless, small size has implications for the international trade of these countries. These implications include:

### 1. Volatility

Small developing economies have traditionally experienced economic volatility because of instability of export earnings resulting from acute dependence on a few primary product exports. This instability is heightened when exports depend on a few external markets, because exports are exposed to fluctuations in demand and price, and changes in market access policy in importing countries. It has been suggested that many small economies can reduce export instability by shifting to services, particularly tourism and financial services. Some studies, however, have indicated that the change in export composition toward the service industry has been accompanied by higher instability in export earnings.

### 2. Vulnerability

The high degree of openness and the concentration in a few export products, particularly some primary products and agricultural commodities whose prices and demand are subject to fluctuations in world markets, make small developing economies vulnerable to external economic events. Substantial dependence on external sources of economic growth makes small developing countries acutely vulnerable to exogenous shocks. The exposure of small developing economies to real shocks is much greater than in larger economies, which are usually more diversified in structure and exports.

Economic vulnerability can be a feature of an economy of any size and level of development, but it is compounded by size, degree of openness, export concentration, susceptibility to natural disasters, and remoteness and insularity. The extent of vulnerability of an economy can be measured by a "vulnerability index". Different vulnerability indices have been employed researchers, the Commonwealth Secretariat and the United Nations differing in which variables are included and the methodology of weighting. All vulnerability indices encompassing reveal a relationship between vulnerability and size, with the smallest countries being the most vulnerable.

### 3. Sub-Optimal Resource Use, Allocation and Mobilization

Small markets are imperfect markets and this type of market situation has several implications for resource use allocation and mobilization.

(a) The narrowness of the market i.e. limited number of participants and/or the dominance of one institution reduces the efficiency with which resources are allocated and leads to distortions in resource use.

(b) The lack of market driven competition leads to inefficiency and higher costs, as firms are not driven by the dynamics of competition to optimize efficiency and introduce new technology and improved production systems. A firm's international competitiveness depends on its capacity to continually innovate in production techniques and products. The national market conditions in which the company operates is significant variable in its drive to develop its competitive advantages.

(c) The small size and skewed structure of the market inhibits the ability of small, developing economies to garner resources from external sources, in particular private foreign investment. Investors often are unaware of or do not find small developing economies worthwhile as investment locations because of the limited size of the national market. Even investment for export tends to be biased in favor of larger economies, even if they are low income and less developed.

(d) The high import content of production and consumption, undiversified economic structure and the lack of competitive markets in small developing economies means that there are rigidities in resource allocation. This makes the adjustment process more difficult, and of necessity, slower than the adjustment process in larger more developed economies.

**4. Lack of Competitiveness**

It is firms not countries that conduct international trade and firms in small economies are small by global standards.

(a) Small developing economies have severe constraints on their material and labor inputs both in amount and variety, because of their limited land area, narrow resource base and small populations. These constraints prevent the attainment of economies of scale for a wide range of products and lead to high unit costs of production. Small market size also tends to cause high costs because there is often a lack of competition, in many instances, the markets are oligopolistic or controlled by their monopolies.

Firms in small economies, especially small developing economies, are at a major disadvantage compared to large firms. These firms are small and cannot attain either internal economies of scale (where unit cost is influenced by the size of firm) or external economies of scale (where unit cost depends on the size of the industry, but not necessarily on the size of any one firm). A small economy, and by extension small industries (including export sectors), is unlikely to foster the competitive dynamic necessary for firms in small economies to achieve competitive advantage. Competitive advantage is more likely to occur when the economy is large enough to sustain "clusters" of industries connected through vertical and horizontal relationships.

Firms in small, developing countries have severe difficulties in attaining "economies of scope," i.e., economies obtained by a firm using its existing resources, skills, and technologies to create new products and/or services for export. Exposure to global competition requires small firms to invest heavily just to survive in their national market, and more so in order to export.

Larger firms are better able to generate new products and sources from existing organization and networks. Very large firms, such as multinational corporations (MNCs), operate internationally in ways very different from small firms.

(b) A small developing economy is an aggregation of firms, which are small in the world market, and therefore are "price-taker" i.e. exercise no influence on world market prices for goods, services, and assets. Inputs including imports cost firms in small economies more compared to large firms, thereby making firms in small economies relatively less efficient.

Small developing economies pay higher transportation costs because of the relatively small volume of cargo, small cargo units, and the need for bulk breaking. Small economies pay an average of 10 percent of the value of merchandise exports as freight costs, compared to a percent worldwide average percent Small developing economies spend more on transportation and freight costs as a percentage of exports than large countries. The figure is 4.3 percent for the OECD countries, and 7.5 percent for Latin America and the Caribbean.

The public sector in small developing economies accounts for a larger share of GDP, which reflects a certain indivisibility of public administration structures and functions--every country, no matter how small, has a head of a state, a parliament, a police force, etc. The growth of the public sector has also been due in part to attempts to compensate for the absence of the private sector and certain economic activities and the financing of large infrastructure projects.

The small size of the market and the prevalence of small firms make it difficult for small economies to attract private foreign investment and joint venture partnership even when policy regime and economic fundamentals are better than competing locations. The result is that both the public sector and the private sector composed of small firms pay higher interest rates and other costs increasing the cost of production.

(c) Small developing economies and their small markets are unlikely to foster the competitive dynamic necessary for firms (including export sectors) to achieve competitive global competitiveness. The attainment of competitive advantage is more likely to occur when the economy is large enough to sustain "clusters" of industries connected through vertical and horizontal relationships and where there is a network of related and supporting industries. A firm working together with world-class local suppliers can benefit from cross-fertilization opportunities. Related industries can also be an important source of innovations and provide strategic alliances and joint ventures.

## 5. Limited Adjustment Capacity

The high import content of production and consumption and the rigidity inherent in the undiversified economic structure of small developing economies severely hampers resource allocation which make the adjustment process more difficult, and slower than in larger economies. In many situations, adjustment requires resource creation as well as resource allocation.

There is a high degree of openness in small developing economies, the consequences of which include, the overall domestic price level is dominated by movements in the price of imports. The prices of non-traded goods also tend to adjust rapidly through the impact of foreign prices on wages and other cost. Exchange rates charges do not have the desired effect on the balance of payments because of low import and export price elasticities.

Stabilization policy must be designed specifically for small, developing countries taking cognizance of the structure of markets and the nature of their operations. The uncompetitive nature of these markets particularly where monopolies and oligopolies exist and the limited number and type of institutions, make resource utilization and allocation more problematic than in large developed economies. These types of market situations are characterized by rigidities, which make the adjustment process more time consuming, and which diminish the efficacy of conventional policy measures such as open market operations and recalibration of economy-wide prices such as the exchange rate. Furthermore, structural adjustment, like stabilization is a more difficult process in small, developing economies because the inherent rigidities in the structure and operation of markets complicate the process of resource reallocation. The nature of these small markets also restricts the ability of private sector entities and the government to mobilize additional resources, both within these economies and from external sources.

Small, developing economies have structural features that need to be changed, if these economies are to cope with the rapid and profound changes associated with globalization. Adjustment will not suffice to enable these economies to cope with changes in the global economy since adjustment implies marginal and incremental modification to an economic structure, which is fundamentally sound and conducive to sustainable economic growth. Economic transformation goes beyond the resource utilization, reallocation and mobilization intrinsic in stabilization and structural adjustment to incorporate resource creation over the medium to long term. Transformation in the current and future global economy will entail the ability of small developing economies to facilitate the rapid and friction-less international mobility of goods, services, finance, capital and technology, which is the essence of a seamless global economy.

## V. TREATMENT OF SMALL ECONOMIES IN THE INTERNATIONAL TRADE AGREEMENTS

Conventional trade theory assumes that (a) international trade takes place between countries in an environment of perfect competition, and (b) trade occurs because of differences in comparative advantage, which in turn derive from differences in resource endowment or technology. In this paradigm the effects of size of country and size of firm are not taken into account. However, in reality, size of country and size of firm have important implications as when taking into account economies of scale, the size of a country and the size of a firm become important considerations because large firms can achieve economies of scale and market dominance (including oligopoly and even monopoly) which put small firms at a disadvantage small firms.

While the WTO agreement does not recognize small economies as a distinct category, it explicitly recognizes that they are different types of economies and that these economies require rules and discipline, which are specifically designed to take account of their needs. The preamble of the WTO Agreement recognizes that there is need for positive efforts designed to ensure that developing countries “Secure a share in the growth in international trade commensurate with the needs of the economic development." The Uruguay Round Agreements include provisions for developing member countries and there are some concessions to the least developed countries, Net-Food Importing Countries, "below $1,000 per capita" countries, and narcotic economies.

The effect of small size has been recognized in national economic policy, as all countries have policies specifically designed to promote the viability of small businesses and small farms. This tenet needs to be applied to the global arena in the context of multilateral trade agreements, given the disparities in size between firms and countries. More generally, small and/or vulnerable participants (both firms and households) in national economies are afforded appropriate treatment by compensatory policy measures. These compensatory measures are fiscal transfers, enabling programs e.g. subsidies or low cost finance or rules which discriminate in their favor, e.g. quotas or prevention of market dominance by larger firms. In a global economy increasingly dominated by the global market and where international trade is increasingly regulated by multilateral rules, there is no multilateral entity, which provides fiscal transfers or enabling programs hence inequity and adjustment must be addressed by multilateral trade rules.

## VI. DIFFERENTIATED TREATMENT

Differentiated treatment is a well-established concept and practice in multilateral, regional and bilateral trade agreements. This has usually been based on differences in levels of development with three categories being recognized, namely, developed, developing and least-developed countries. Differentiated treatment had its origin in the colonial trade arrangement and the principle has continued in various forms in agreements between countries at different levels of development e.g. the Lomé Convention through which the E.U. provided preferential treatment for a select group of developing countries. Differentiated treatment became universally recognized when the GATT was formed. Although the initial premise underlying GATT - (1947) was parity of obligations between all trading nations, the concept of permitting differentiated treatment existed from the outset. This took the form of preferential treatment to developing countries, in the form of preferential access to developed-country markets through tariff preferences, and exemptions from GATT rules. In 1965, the special status of developing country in the multilateral trading system was established with the adoption of a new Part IV of the GATT, which embodied what was termed "special and differential treatment." This treatment was defined as non-reciprocity for developing countries.

The principal of differentiated treatment in the form of permanent or temporary non-reciprocity is embodied in several trade agreements and integration arrangements such as the Caribbean Common Market (CARICOM) and the Central American Common Market. It is included in the Caribbean Basin Initiative, CARIBCAN, the Andean Trade Preferences Act, the CARICOM-Venezuela Agreement, the CARICOM-Columbia Agreement, and the Andean Pact.

Special and differential treatment is embodied in the WTO agreements in 147 provisions, of which 107 were adopted at the conclusion of the Uruguay Round, and 22 apply only to least-developed member countries. These measures are incorporated in the Multilateral Agreement on Trade in Goods, the General agreement on Trade in Services (GATS), the Agreement on Trade-Related Aspects of Intellectual Property, the Understanding on Rules and Procedures governing the Settlement of Disputes and in several Ministerial Decisions. There are 12 provisions in four agreements and one decision, which are aimed at increasing the trade opportunities of developing country members. There are 49 provisions under which WTO members should safeguard the interest of small developing countries. However, both measures to promote trade opportunities and safeguards are for the most part best endeavors, which are not enforceable and have not been fully implemented.

## VII. PROPOSED PROVISIONS FOR SMALL DEVELOPING ECONOMIES

The design of measures to address the concerns and interests of small developing economies should not be limited to measures, which avoid putting these economies at a disadvantage, nor should they be confined to best endeavor commitments to promote trade opportunities and safeguard the interest of these economies. . For example, Article IV of the GATS specifies measures aimed at increasing the participation of developing countries in the global trade in services, through specific commitments in relation to strengthening their domestic services, its efficiency, capacity and competitiveness. It also requires developed member country to facilitate the access of developing country service suppliers to information related to market access.

Measures to promote growth and development of small developing economies should be proactive, meaningful and enforceable. Appropriate provisions for small developing economies can be grouped under six headings.

### 1. A Lower Level of Obligations

Small developing economies would be required to undertake commitments and concessions to the extent consistent with their adjustment capacity, development, financial and trade needs, and their administrative and institutional capabilities for implementation. This should be negotiated on an issue-by-issue basis and where appropriate, on a product-by-product basis.

Consideration could be given to the inclusion of an “enabling clause” for smaller economies, which would allow for the differential application of rules in the levels of obligation for smaller economies within the developing country framework.

### 2. Asymmetrically Phased Implementation Timetables

Given the small size of firms in small developing economies and the small scale of production and limited size of the market, export sectors will require a longer period of adjustment than larger firms and larger, more developed economies. Hence, there must be asymmetrically phased implementation of rules and disciplines, permitting a longer adjustment period for smaller economies. For example, in agricultural trade, in particular, food items**,** small developing economies should be allowed the flexibility to implement their commitments to reduction of protection and domestic support over a longer period than the implementation period prescribed for larger economies.

Provision for such differentiated phase-in schedules was included in both the Agreement on Textiles and Clothing (ATC) as well as the TRIPs Agreement. In the ATC, small suppliers were allowed longer phase-out periods for the multi-fiber Agreement (MFA) as well as greater flexibility in growth rates, etc. Under the TRIPs Agreement developing and LDC’s countries were allowed the longest phase in period for implementation of their TRIPs obligations.

### 3. Exemptions from Commitments in Certain Areas

Given the vast disparities in size, the extremely small size of some economies and the human, financial and institutional cost involved in implementing the FTAA, smaller economies should be permitted some exemptions. This would not only address the question of disparities, but also avoid delays, which may occur because smaller economies, despite their best effort, were not able to meet certain requirements and timetables. For example, if, as is likely, exports subsidies are outlawed, smaller economies should be exempt from this requirement, or standardizing technical requirements through national organizations and participation in international standardization processes where these have no applicability because of lack of production or importation or exports. Where complete exemptions are not feasible, de minimis provisions would be helpful.

An example of this type of measure is the provision, which exempts developing countries from the disciplines in two types of export subsidies. This type of provision should be included in other aspects of the WTO agreements. For example, in government procurement agreements the very small developing countries of the Eastern Caribbean should have their government procurement markets exempt from coverage given their very small size.

### 4. Flexibility in Application and Adherence of Disciplines Under Prescribed Circumstances

Small developing economies are highly open economies and are therefore more susceptible to balance of payments problems. This is particularly the case for small developing countries where balance of payment deficits tends to be persistent because of their structural origins. The FTAA process might consider balance of payment provisions such as those provided in Articles XII and XIII of the GATT. It should be noted that these provisions are not confined to any particular type of country but all members may avail themselves of the right resort to these provision under the circumstances prescribed. Small developing economies because of their vulnerability to balance of payment problems should be permitted additional facilities to enable them to (a) maintain sufficient flexibility in their tariff structure to be able to grant the tariff protection required for the establishment of a particular industry, and (b) apply quantitative restrictions for balance of payments purposes which take full account of the continued high level of demand for imports likely to be generated by their programmes of economic development.

The agreement on safeguards could enable the small developing economies to take such action in the case of balance of payment activities.

### 5. Enabling Access to Mediation

The Understanding on Rules and Procedures governing the Settlement of Disputes is currently under review in light of the experiences of the past few years. The problems, which have been identified with, the operations of the dispute settlement mechanism include:

(a) the limited capability of small developing countries to make use of the mechanism because of their inadequate expertise and institutional capacity to implement panel findings.

(b) the high cost and administrative difficulties of using the dispute settlement mechanism.

There are provisions in the DSO, which provide for technical assistance in developing countries. This needs to be extended to smaller economies and made more effective. The experience of CARICOM in the banana case is illustrative.

**6. Technical Assistance and Training**

The promise of technical assistance to the small developing economies is widely accepted. Such assistance could:-

(a) contribute to efforts by small developing economies to undertake the structural, institutional and legislative adjustment

(b) promote the development of adequate institutional capacity by training technicians and negotiators to improve their participation in trade negotiations, and the implementation of the international trade agreements

(c) assist small developing economies in fulfilling their obligations under the various international agreements, in particularly commitments under the WTO

Technical assistance is provided for in 14 provisions across six agreements and one ministerial decision. The major difficulty has been ensuring that these provisions are given practical effect and that the presently inadequate funding be substantially increased.

## VIII. SUMMARY

It is now customary that national economic policies and international trade agreements recognize that firms and countries differ in structure, income levels and developments, however, one of the most important differences namely, variations in size has not received sufficient attention. While attempts have been made to address this disparity in national economic policy, this issue has not been addressed at the international level. Given the number of small developing economies, the intensification of globalization and the progressive liberalization of international trade and investment, there is an urgent need to tackle this question.

Small developing economies have characteristics, which affect their capacity to participate in and benefit from international trade. Given that they constitute a large part of the membership of the WTO and given that their effective participation will enhance both their own development and that of the global economy, international trade agreements must take account of their circumstances. The WTO as the multilateral framework for international trade must incorporate in its objectives, disciplines and schedules, measures specifically designed to facilitate the effective participation of small economies.

None of the proposed measures of differentiated treatment, a well established principle in trade agreements of all types, would set a precedent in the WTO agreements. Special and differential treatment must be designed specifically to address the characteristics of small developing economies. This will entail meaningful implementation of the type of special and differential measures, which already exist in the WTO, and the development of new measures. The recognition of the category of small developing economies involves agreeing on a definition, a technical task which can be solved by science of economics. If a new category has to be acknowledged, then so be it, as was done in the case of "transition economies" and "highly indebted poor countries." The obstacles not technical but political, but the fact that small developing countries constitute a very small share of world trade and the biggest single category in the WTO, may be a salutary factor.