

7

Small Developing Economies in the World Trade Organization

Richard I. Bernal

The Issue

Small developing economies have structural and institutional characteristics that 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 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 (for example, 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 World Trade Organization (WTO) agreements is particularly important.

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, and currently (2002) there are 193. Of this total 87 countries have a population of fewer than 5 million, 58 have fewer than 2.5 million, and 35 have fewer than 500,000. The proliferation of small states is a trend that could continue if states fragment as they have in recent years in Eastern Europe and Africa.

Recognition

The political integrity and security of small states have long been recognized as important issues in international relations, and hence are 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 or 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 share in the benefits from globalization, regionalism, and international trading arrangements, and were not marginalized. The Free Trade Area of the Americas (FTAA) 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 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 policy-oriented nature have been carried out on small economies and particular small island states by the Commonwealth Secretariat, the World Bank, the United Nations Conference on Trade and Development and the FTAA Working Group on Small Economies. There is a general consensus in these studies that small economies have characteristics that distinguish them as a particular genre of economy and these features constitute constraints on their capacity for trade and development.

Importance

Small economies more than any other group of countries need a robust multilateral trading system, and it is in their vital interest that it making be conducted within the WTO, where their limited leverage in lateral negotiations with larger countries is not an impediment.

The effective participation of small economies in the WTO agreement would help to establish universal membership in the WTO, and ensure 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 of small economies from the WTO could cause disruptions in international

conomic transactions, which would hamper the growth of international trade and investment and the emergence of a seamless global economy.

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, 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 (for example, fuels, nonfuel 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 purposes also makes use of the income criterion adopted by the World Bank. Under the WTO classification, countries with less than US\$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 (UR) Agreement on Agriculture (AoA).

The definition of what is a small developing economy is an issue that 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 gross domestic product (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 General Agreement on Tariffs and Trade (GATT) system and now under the WTO.

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.

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.

Export concentration. The limited range of economic activity in small economies is reflected in the 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 (for example, in 1991 bananas accounted for 92 percent of total exports in Dominica and 87 percent in St. Lucia).

Export market concentration. Export concentration is compounded by the dependence on one or two export markets (for example, Britain absorbs 80 percent of Dominica's bananas and 90 percent of St. Lucia's).

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.

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 (United States, US\$164 billion) is 9 times larger than Petrobras (Brazil, US\$17 billion), which in turn is 35 times larger than Neal & Massey (Trinidad and Tobago, US\$0.5 billion). Sales and employment of some multinational corporations are larger than the GDP and population of many countries.

Dependence on trade taxes. There is a high dependence on trade taxes as a percentage 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 more than one-third of government revenue in Guatemala and the Dominican Republic.

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 that 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 Hurricane and Marilyn in 1995 to about 66 percent of GDP, and 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.

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 United Nations' Human Development Index. Nevertheless, small size has implications for the international trade of these countries.

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.

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 indexes have been employed by researchers, the Commonwealth Secretariat, and the United Nations, and all may differ in which variables are included and the methodology of weighting. All vulnerability indexes reveal a relationship between vulnerability and size, with the smallest countries being the most vulnerable.

Suboptimal 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—that is, a 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 to 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 a 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 from 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, no matter 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.

Lack of Competitiveness

If is firms, not countries, that conduct international trade, and firms in small economies are small by global standards. 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; that is, 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 in comparison with large firms. These firms are small and cannot attain either internal economies of scale (where unit cost is influenced by the size of the 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" (that is, 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, operate internationally in ways very different from small firms.

A small developing economy is an aggregation of firms that are small in the world market and are therefore "price-takers"; that is, they exercise no influence on world market prices for goods, services, and assets. Inputs, including imports, cost firms in small economies more when compared with 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 economies pay an average of 10 percent of the value of merchandise exports as freight costs, which is considerably higher than the world average. Small developing economies spend more on transportation and freight costs as a percentage of exports than do large countries. The figure is 4.3 percent for the Organi-

sation for Economic Co-operation and Development 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; that is, every country, no matter how small, has a head of a state, a parliament, a police force. 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.

Small developing economies and their small markets are unlikely to foster the competitive dynamic necessary for firms (including export sectors) to achieve 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.

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 dominated by movements in the price of imports. The prices of nontraded goods also tend to adjust rapidly through the impact of foreign prices on wages and other costs. Exchange rate 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. The structure of markets and the nature of their operations

must be recognized. 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 economywide 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 that 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 frictionless international mobility of goods, services, finance, capital, and technology, which is the essence of a seamless global economy.

Treatment of Small Economies in the International Trade Agreements

Conventional trade theory assumes that international trade takes place between countries in an environment of perfect competition and that 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 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.

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 that are specifically designed to take account of their needs. The preamble of the WTO UR AoA recognizes that there is need for positive efforts designed to ensure that developing countries "[s]ecure a share in the growth in international trade commensurate with the needs of economic development." The AoA includes provisions for developing member countries, and there are some concessions to the least developed countries, net food importing countries, and those with incomes below \$1,000 per capita.

The effect of small size has been recognized in national economic policy because 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 or enabling programs (for example, subsidies or low-cost finance or rules that discriminate in their favor, such as 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 that provides fiscal transfers or enabling programs, and hence inequity and adjustment must be addressed by multilateral trade rules.

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: industrialized and developing countries and least developed countries. Differentiated treatment had its origin in the colonial trade arrangements, and the principle has continued in various forms in agreements between countries at different levels of development (for example, the Lomé Convention, through which the European Union 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 the 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 industrialized country markets through tariff preferences and exemptions from GATT rules. In 1965 the special status of a developing country in the multilateral trading system was established with the adop-

tion of a new Part IV of the GATT, which embodied what was termed "Special and Differential (S&D) Treatment." This treatment was defined as nonreciprocity for developing countries.

The principal of differentiated treatment in the form of permanent or temporary nonreciprocity 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, the Andean Trade Preferences Act, the CARICOM-Venezuela Agreement, the CARICOM-Columbia Agreement, and the Andean Pact.

S&D 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 (TRIPS), 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 interests of small developing countries. However, both measures to promote trade opportunities and safeguards are for the most part best attempts that are not enforceable and have not been fully implemented.

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 that avoid putting these economies at a disadvantage and 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' efficiency, capacity, and competitiveness. It also requires industrialized member countries to facilitate the access of developing countries' 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.

A Lower Level of Obligations

Small developing economies should be required to undertake commitments and concessions to the extent consistent with their adjustment capacity, development, financial and trade needs, and 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.

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 in reducing 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. Under the TRIPS agreement, developing countries and least developed countries were allowed the longest phase-in period for implementation of their TRIPS obligations.

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 trade agreements, 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 efforts, are 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 standard

izing 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 that 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.

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 payments deficits tend to be persistent because of their structural origins.

These provisions are not confined to any particular type of country, but all members may avail themselves of the right resort to these provisions under the circumstances prescribed. Because of their vulnerability to balance of payment problems, small developing economies should be permitted additional facilities to enable them (a) to 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) to apply quantitative restrictions for balance of payments purposes that take full account of the continued high level of demand for imports likely to be generated by their programs of economic development.

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

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

There are provisions in the Dispute Settlement Office that provide for technical assistance to developing countries. This needs to be extended to smaller economies and made more effective.

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; and (c) assist small developing economies in fulfilling their obligations under the various international agreements, 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.

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, 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 that 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, will set a precedent in the WTO agreements. S&D 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 that 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 that can be solved by the 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 are 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.

8

Evaluating Benefits of Liberalization to Date for Developing Countries

Usha Jethai

In the middle of the last century, the implosion in Europe that was World War II saw the end of the colonial economic system that had dominated the world for over 400 years. The decades following the collapse of the European colonial powers saw the rise of scores of newly independent countries of all shapes and sizes, ranging from behemoths like India, which today boasts more than a billion people, and Brazil, to tiny countries such as Mauritius, which has a population of just over 1 million.

The colonial experience also deeply shaped the newly independent countries. In some cases, particularly in Africa, these countries were pure geographic creations of the colonial powers who sat down at the map in Berlin in the 1880s and carved up the continent into artificial entities cutting across natural, religious, and ethnic boundaries. In the case of Mauritius, itself, it was a complete creation of colonialism, for there were no native Mauritians apart from the dodo, and we know its fate. Peoples from every continent, cultural background, and religion were thrust together on a tiny island in the middle of nowhere to sink or swim together.

The colonial powers not only created these artificial countries but also imposed their economic dominance and model on them. Their *raison d'être* was to provide the raw materials for the colonial center. In the case of Mauritius, this was the monoculture of sugar. The British wanted Mauritius, like many other small islands or countries with ports, for its strategic position. But, of course, the British were unwilling to pay for their colonial presence themselves and thus used the resources of those countries to pay for their administration. At the time of independence in 1968, 95 percent of Mauritian exports and its source of foreign exchange was the monocrop of raw sugar sold to the British sugar refiners. Mauritius's case is mirrored in scores of other cases throughout Africa and the Caribbean.

Not only were post-colonial economies skewed, but in many cases, particularly in Africa, the local economy, especially private enterprise, administration, and civil society, were deliberately destroyed in favor of the