

Developing countries and the WTO

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Introduction

- The most interesting story in the WTO in recent years is the changing role of the developing countries.
- It may also be the most important development for the trade system, reshaping it permanently.
- Since Seattle, the developing countries have emerged as major players in the global trade system (more important outcome of Seattle than the rise of the anti-globalization movement?)

Introduction, contd.

- The agreement in Doha to launch a new trade round was a turning point in the integration of the developing countries in the trade system.
- It signaled that they had apparently been brought into, and had themselves bought in to, the GATT/WTO system.
- Decision to call it the Doha Development Agenda was at the least symbolic.

But what does this mean?

- Have the developing countries decided that it is possible to shape the trade system in their interests (or at the least prevent it from working against them)?
- Or is it more the fear of being excluded yet again from decisions about the trade system?
- Experience since Doha suggests that developing countries have taken the view that they can have an effect, and have been much more active than in previous rounds.

Developed Country Reactions?

- But there are also indications that developed countries may not be ready to give up control of the WTO agenda.
- Cancun is shaping up as a major test of the future direction of the WTO and the position of its major players, including developing countries such as China, Brazil, and India.

Agriculture is Central Issue

- Agriculture is at the center of much of this “power struggle”
- Most developing countries consider that they were short-changed on agriculture in the UR
- Most will not agree to any expansion of WTO agenda without satisfactory agricultural outcome

Increased numbers ...

- Part of the influence comes from the **increased numbers** of developing countries in the WTO, not as a voting bloc but from their ability to delay and complicate the consensus process.
- The trade regime has grown from its original 23 founding members in 1947 to 146 at the present. Developing countries were always members of the GATT, but they were “non-playing members” with limited standing.

... have changed the nature of the trade regime

- Over 100 of the WTO members are developing countries, and another 26 are seeking membership.
- Membership is now seen as a necessary condition for inward investment, and those who are not members have little recourse in trade disputes.
- This enlargement has led to a fundamental change in the character of the trade regime: no longer a “rich-man’s club.”

Even the Least Developed Countries are joining

- In order to avoid the marginalization of the poorest countries, a new and simpler accession process was approved for the (48) “Least Developed Countries” in December 2002.
- Twelve are members, and another nine more least-developed countries are seeking membership.

Beyond numbers ...

- **More important than numbers** is the increased interest of developing countries as they see the scope of the trade rules reaching behind their borders
- Interest greater than at any time since NIEO, in mid 1970s, when developing countries, led by Latin America attempted to use cartels in primary products to influence the terms of trade and redress perceived inequities in the “unequal exchange” system.

More inclusive, more benefits

- Even China and India have bought into this model, along with the transition economies.
- So as the GATT/WTO system increases its scope, the benefits of membership become greater, and the cost of exclusion more noticeable

Two-Speed system abandoned

- Developing countries decided during the course of the UR that the “two-speed” system embodied in the GATT was no longer in their interest.
- They accepted the logic of the “single undertaking” concept in the UR.
- Abandoned their objection to equal treatment, which was based on the notion that “equal treatment of unequals is unfair”.
- But they probably had little choice: the developing nations were obliged to accept all the rules in order to retain MFN access to developed-world markets

Defensive strategy still important

- Not all the “interest” in the trade system is of a positive kind.
- The inclusion of the new issues such as intellectual property and services,
- The loss of the ability to reject certain codes,
- The negotiating procedures left many developing nations bitter about the Uruguay Round.
- Much of their present agenda is an attempt to redress the imbalance that they perceived as a result of the UR.

More important in trade system

- **Developing countries are also becoming more important players** in world trade. Their growth can influence the health of the global economy. (viz. China.)
- Emerging markets fuelled much of the boom of the 1990s, at least up until the 1997 Asian Financial crisis.
- Could have significant impact on stability of trade system

What are the developing countries doing with their new-found influence?

- Taking a much more active part in the WTO organization through increased representation in Geneva and attendance at Committee meetings.
- Making use of the dispute settlement process, including challenging the policies of the developed countries. (Of the 261 disputes since 1995, developing countries have been among the complainants in 93 cases. 143 of the cases have been against the US and the EU.)
- Putting forward a “positive agenda” for the Doha Round.

Expressions of Power

- **Power can be expressed** in agenda setting, blocking progress, and in formulation of coalitions.
- Agenda setting: textiles, services, non-agricultural tariffs, agriculture, anti-dumping, but also trade, debt and finance, trade and technology transfer, and technical assistance and capacity building.

Expressions of Power

- Blocking: could hold up WTO “mission creep” i.e. the extension of rules into Investment, Competition, Transparency in Government Procurement and Trade Facilitation and has effectively slowed work on the “Civil Society” issues of Environment and Labor.
- Wary about rushing too far ahead in opening market access without securing access in rich countries textile and agricultural markets
- Insist on plenty of “policy space” for development policies, including support for “infant industries”

Expressions of Power

- Coalition building: Shifting coalitions, rather than one cohesive group. “Like-minded group” is most influential. African Group. Commodity exporters. Food Importers. Least Developed. Small Island Economies.
- Working through RTAs: MERCOSUR, CARICOM, ASEAN
- But also in coalitions with developed countries, Cairns Group, Friends of Multifunctionality, Friends of Anti-dumping.

How are developed countries reacting to this new balance of power?

- Developed countries need the support of the developing countries and yet do not relish the idea of losing the agenda-setting role.
- May have few alternatives but to go along with some of the demands of the developing countries. Avoid stalemate. Same issues arise in RTAs, so regionalism is not much easier.
- This was the theme of the Doha and Cancun Ministerials. Co-opt the developing countries, build their confidence in the system, and hope that they will come to share the same ideals.

Positive Responses

- At one level developed countries are being very responsive:
- Emphasis on capacity building
- Help for dispute settlement expertise
- Help with SPS regulations
- Developed countries have already allowed the developed countries to influence the shape of the round. But shaping the outcome is more problematic.

How will this play out in the agricultural talks?

- Developing countries had only a minor role in shaping the agenda: already set in Article 20, URAA. (continued reform and more market orientation, etc.)
- But developing countries have taken a **remarkable interest** in what was once the province of developed countries.
- Have played an active role in the talks: many proposals, many position papers.

Strongly-expressed views on the main topics

- Market Access
 - Better access for the products of export interest
 - Curb tariff escalation
 - Keep safeguards
- Export competition
 - Unanimous in desire to eliminate
- Domestic Support
 - Keen to curb spending in whatever color box

Also have been participating in some of the “side-shows”

- SPS Issues
 - Suspicious that they are being used for protection
- GMOs
 - Caught in middle of US/EU controversy
 - Anxious not to be left out of useful technology
- GIs
 - Prepared to take EU line if their own products can be included

Outcome?

- Will developing countries influence the final bargain?
- What concessions will they have to make to developed countries?
- Can they be bought off by special and differential treatment?
- What is the shape of a final deal on agriculture?

More Generally ...

- What type of trade system do the developing countries (as opposed to the developed country NGOs) want to see emerging?
- Will it be a rule-based system with the liberal intention of global integration?
- Or will it be a “dirigiste” system with differentiated rules to engineer particular trade outcomes?