

BRIEFING PAPER



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Mainstreaming Development in the WTO *Developing Countries in the Doha Round*

Introduction

The launch of the Doha Round of multilateral trade negotiations in 2001 was marked by developing countries' criticism of the Uruguay Round. They perceived the negotiations as unfair since it failed to ensure market access for their products in developed countries, creating greater burdens and eroding their policy space substantially. The Doha Round promised to address these concerns. This paper argues that the main concern of the developing countries is in the area of Special and Differential Treatment (S&DT), which is a hindrance to a development-oriented WTO.

It contends that a multilateral trading system should be based on the applied principles of fair trade, capacity building, balanced rules and good governance. Besides this, developing countries need to act as active agents of change in the Doha Round, the prospect of Aid for Trade needs to be explored, and the promotion of a more democratic and transparent decision-making system are other factors that need to be considered in order to ensure a more efficient and broad based WTO.

The WTO needs to address the development challenges arising from the negative impact of liberalisation and ensure that the gains are delivered in a more equitable manner. Thus, the responsibilities of both developing and developed countries within the multilateral trade system need to be clearly defined. This paper aims to advance the debate on mainstreaming development in the WTO and to ensure that trade is used as a path to improve economic and human wellbeing.

Does S&DT constitute the core development content of the WTO?

Special and Differential Treatment (S&DT) issues are related to three main concerns of developing countries:

- market access (mainly concerned with preferences and longer implementation periods);
- the need for flexible rules; and
- the need for aid in technical assistance and capacity building.

These concerns have been reflected in over 150 provisions in GATT (General Agreement on Tariffs and Trade) since 1947. At the Doha Ministerial Conference of 2001, developing countries tabled 88 S&DT proposals for

review. These called for the existing S&DT provisions to be made more precise, mandatory and operational.¹

However, these issues do not constitute the central development dimension of the GATT; now the WTO. While they remain an important part of the system and are still valid, their basic purpose is to recognise the vast differences in the economic and trade capacities of developed and developing countries. Merely deepening existing trade preferences and providing greater flexibility for the existing WTO rules, as most provisions of S&DT advocate, will hinder the growth of a more development-oriented WTO. What then constitutes development in the WTO? Drawing from the works of Amartya Sen,² four essential dimensions of development have been incorporated within the WTO.

Firstly, it is argued that to provide developing countries with *opportunities to export* in global markets, a level playing field has to be established. Contrary to the GATT negotiations which failed to provide markets for the products of developing countries, this provision is more in keeping with the Doha mandate assurance of a development round, and hence, somewhat in favour of developing countries. In agriculture, for instance, there is need to remove the distortions caused by subsidies in developed countries that prevent or undermine developing countries from pursuing their comparative advantage.

Secondly, there is responsibility to ensure that the poorest countries are provided with the *capacity to produce and export*, thus allowing them to benefit from the opportunities in the global economy.

Thirdly, the rules of the trading system also need to be *balanced*. Whilst a rules-based system should be strengthened for all to benefit, it should provide sufficient flexibilities to prevent developing countries from bearing the cost of these rules, without the benefits.

Fourthly, the *participation of developing countries* in the process is crucial to ensure that they are engaged in negotiating the new rules in a fair and democratic manner.

Thus, effectively addressing the development dimension of the multilateral trading system (MTS) will require making the WTO fairer, with more balanced rules, transparency and inclusiveness, and providing capacity for the countries in need. To achieve this, the development dimension of the Doha Round needs to be mainstreamed.

How can the LDCs and SVEs gain from the Doha Round?

The LDCs (least developed countries) have emphasised the need for increased market access to enhance their development. They have called for compulsory provisions for duty free, quota free treatment of their exports into markets of both developed and developing countries in a position to implement these measures.³ In the agricultural negotiations, LDCs have called for the removal of distortion in international agricultural trade caused by high subsidies in developed countries, particularly in cotton.⁴ In the services negotiations, they have demanded the implementation of the modalities for the special treatment of LDC members.⁵

They have stressed the need to realise LDC export opportunities in mode 4: the movement of natural persons with a specific focus on non-professional service providers (including semi- and low-skilled). LDCs have also called for technical assistance and capacity building to assist them in identifying critical areas of potential competitiveness and build regulatory institutions and legislation.

In both agricultural and non-agricultural market access negotiations, the LDCs have not called for further liberalisation or reduction of their commitments to the Doha Development Agenda (DDA). In the July 2004 Framework Agreement decided by the General Council,⁶ WTO members agreed to the negotiating position of the LDCs. However, the agreement requires LDCs to significantly increase their tariff-binding commitments for industrial products.

At the Centre for Trade and Development Special Session (CTDSS), LDCs had prioritised five proposals for the members to consider. At least four of these called for more balanced rules and proposed amendments to existing rules. These relate to the decision-making process on waivers; exemption from the application of the Trade Related Investment Measures (TRIMs) Agreement or increased flexibility; the linkage of compliance of rules with the availability of adequate implementation capacity; and the need for greater coherence between existing WTO commitments and the trade conditionality required by the IMF (International Monetary Fund).

The Hong Kong Declaration (2005) agreed to provide LDCs with duty free, quota free market access for up to 97 percent of tariff lines and to progressively increase this, with no obligation to reach 100 percent. There were four other S&DT provisions and Agreement Specific proposals for LDCs that were accepted and hence included in Annex F.

While some developing countries have begun to successfully integrate into the world economy and improve their share of world markets, others have been increasingly marginalised with their share declining. This changing global context has resulted in some developing countries calling for their development situation to be given special consideration.

Thus, the Doha Declaration of 2001 has agreed to create a work programme to examine issues related to the trade of small economies (Article 35). These countries have also been arguing that their situation needs to be taken into account when considering further market access reduction commitments by developing countries in the DDA. They have further

contended that their prior unilateral liberalisation commitments made under duress, as part of IMF conditionality, be factored into. Furthermore, they argue that they be permitted lower reduction commitments in agriculture and non-agriculture market access negotiations than other developing countries.⁷

LDCs and other SVEs (small and vulnerable economies) will need ambitious results in all areas of development dimension of the multilateral trading system: fair trade, capacity building, balanced rules, and good governance. Therefore, the development challenges that result from multilateral liberalisation to enable SVEs to secure some of the gains that would arise from the new opportunities realised in the multilateral trading system need to be addressed.

How is Aid for Trade an Essential Component in the MTS?

The concept of Aid for Trade began to gain support in the year 2005.⁸ The Millennium Project Task Force on Trade⁹ called for 'a temporary aid for trade fund'. The report of the Director General's Consultative Board¹⁰ also stressed the need for adjustment assistance for developing countries to help them cope with trade liberalisation and the then Commissioner of the European Commission, Peter Mandelson,¹¹ called for the richest countries to establish a special Trade Adjustment Fund.

The most ardent proponent of the proposal for additional aid for development has been former British Prime Minister Tony Blair, and the then Chancellor of Exchequer, Gordon Brown,¹² who led the formation of the Commission for Africa and presented the case for Africa at the Gleneagles G8 Summit in 2005. In the period before the Hong Kong Ministerial Conference (2005), UNCTAD called for a Trade Marshall Plan for LDCs.¹³ It proposed a \$1bn fund for LDCs to be utilised to support adjustments arising from trade reform, trade-related infrastructure and competitiveness capabilities.

A large number of developing countries have persistently called for the WTO to address the development challenges arising from the negative impact of liberalisation. These include the loss of revenue, increased cost of food imports and adjustment and diversification costs associated with preference erosion. In addition, many developing countries have argued that their access to developed country markets is further denied by the high costs associated with meeting health and technical standards – sanitary and phyto-sanitary (SPS) and technical barriers to trade (TBT).

Thus in the Hong Kong Ministerial Declaration¹⁴ recognised the importance of Aid for Trade and called on the director general of the WTO to:

- create a task force that "shall provide recommendations on how to operationalise Aid for Trade" to the General Council by July 2005, and
- to consult with members as well as the IMF and World Bank and other relevant international organisations "with a view to reporting to the General Council on appropriate mechanisms to secure additional financial resources for Aid for Trade". This task force¹⁵ was constituted by the WTO General Council in February 2006 and has submitted its recommendations to the General Council at the end of July 2006.¹⁶

WTO members have submitted a large number of proposals to the task force.¹⁷ The African Group, for instance, submitted two proposals¹⁸ addressing the scope of the Aid for Trade initiative and the need for additional resources. On the scope, the African Group proposed that the initiative include “supply-side capacity and infrastructure, assistance to improve productivity of African economies and bolster their competitiveness, and assistance to deal with adjustment costs associated with trade liberalisation”.

In their second proposal, the group emphasised that the funds provided under this initiative be additional, predictable and sustainable, after the current levels of aid for trade have been identified. However, measuring the amount of new aid will first need an insight into how much of total ODA is currently provided and how much of this is provided for the purposes of Aid for Trade.

What Role should Developing Countries adopt in the Doha Round?

The Preamble of the GATT, 1947 states that its objectives are to include “raising standards of living, ensuring full employment and a large and steady growing volume of real income and effective demand...”.¹⁹ The WTO, in its foundation documents, has included the objective of development in its preamble by stating, “recognising further that there is need for positive efforts designed to ensure that developing countries and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development”.²⁰

However, the broader development role of the GATT and WTO has been largely ignored and not well articulated or effective in the GATT/WTO deal-making process. There are many reasons for this. First, the development of GATT has been driven largely by the mercantilist interests of the major developed countries. Second, the relatively weak organisational level of developing countries has been unable to provide an effective counterweight to the superior economic and political power of the developed countries. Thus, the basic ethos and values of the GATT/WTO have largely been driven by the agenda of developed countries.

This situation changed fundamentally with the WTO Doha Round. The formation of the G20 group of developing countries in Cancun and the NAMA11 in Hong Kong set the stage for a more assertive role for the developing countries. Ismail argues that whilst these major developing country groupings adopted a ‘welfarist approach’ (a focus on their own wellbeing) in the early stages of their development, these groups have increasingly begun to play the role of ‘agency’ (‘active agents of change’).

However, the evolution of the role of G20 and NAMA11 to that of an agency role has been a learning process propelled by their active engagement with other developing country groups and the wider membership. In this latter role, the G20 and NAMA11 have begun to articulate and defend the interests of other developing country groups (such as the Africa Group, ACP, SVEs and LDCs), even where this would require them to adjust their own narrow self-interest and transcend their narrower welfare interests.

This process laid the bases for the building of common platforms and a united front against attempts by major trading partners to pursue unfair deals. They have taken this process one step further in advancing the objective of a fair, balanced and development-oriented multilateral trading system for all - developed and developing country members of the WTO. In this regard, the role of agency of these groups is vital for the emergence of the WTO as the guardian of global public good.

How can Good Governance contribute to a Balanced MTS?

The multilateral trading system represented by GATT and WTO has been recognised as a vital part of the global governance structure along with the other Bretton Woods institutions. Compared to its counterparts, the WTO has been relatively more successful in constructing a democratic decision-making system. Propelled by several major setbacks (Seattle and Cancun), the WTO has continued to learn and improve its decision-making system. However, developing countries and NGO observers have repeatedly criticised its decision-making procedures, alleging that it lacks transparency and is dominated by a few powerful countries.

Several of the developing countries’ proposals on S&DT and reform of the Dispute Settlement Understanding (DSU) reflect their perception of its exclusive nature of the existing system that precludes vital issues such as the ownership of multilateral trading frameworks. In other words, legitimacy of the WTO, including the sustainability of its decisions, necessitates the evolution of inclusive and democratic institutional architecture that would contribute to better global governance.

The concept of good governance, envisaged to be an element of the development dimension of the WTO, is discussed with reference to the Sutherland Report of 2004. The previous director-general of the WTO, Supachai Panitchpakdi, responding to civil society criticisms as well as failure of several ministerial meetings, requested the consultative board, chaired by Peter Sutherland, to lay down proposals for a more effective and democratic decision-making process in the WTO.

Sutherland’s report begins by making the case for liberalisation and strengthening the most-favoured nation (or non-discrimination) principle of the WTO. It goes on to consider a number of issues that are currently being debated amongst WTO observers including that of sovereignty, the WTO’s relationship with civil society, and strengthening of the dispute settlement system. On the question of good governance, the board is considering issues of:

- decision making in the WTO;
- variable geometry and plurilaterals;
- the role of ministers and ministerial conferences;
- the relationship between senior capital-based officials and Geneva-based diplomats;
- the role of the secretariat and the director-general of the WTO; and
- strengthening the coordination and coherence between the WTO and other relevant multilateral agencies and bodies.

What are the Responsibilities of Member Countries to Ensure Trade Justice?

Developing countries can be said to have responsibilities on at least three levels:

- provide leadership in framing their own national economic development vision and implementation plans and transparent systems of economic governance and accountability;
- make efforts to implement their obligations to the multilateral trading system, thereby contribute to an effective rules-based system; and
- make efforts to participate in the multilateral trading system.

The responsibilities of the developed countries include:

- providing access for developing country exports into developed country markets (and not stifle the developing countries through trade distortion policies);
- building sufficient capacity for developing countries that are in need to enable their effective participation in the global trading system (the recent Aid for Trade initiative is a step in the right direction);
- ensuring that the rules of the trading system are balanced and they do not impose more burdens on developing countries; and

- facilitating the effective participation of developing countries by ensuring that the WTO is inclusive and transparent.

Conclusion

In view of the six-year long struggle to combine the highly divergent and often conflicting interests of developing and developed countries in the Doha Round of trade talks, there is a dire need to conclude the negotiations as they provide the only basis for a legitimate multilateral trading system. The key issues that need to be incorporated in the interest to developing countries have been identified as fair trade, capacity building, balanced rules in a transparent decision-making system and good governance.

The alternative to a successful multilateral agreement is the intensification of bilateral and regional trade agreements, which will contribute to strengthening the overall position of the dominant economic players. The policies of both developing and developed countries have to be reviewed at the Doha Round to achieve the objectives of poverty reduction, development and more effective global integration. Developing countries must be active agents of change to defend their interests and ensure their development concerns are at the centre of the negotiations.

Endnotes

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- 4 WTO doc. TN/AG/GEN/4 (May 16, 2003)
- 5 WTO Job (05)/114
- 6 WTO doc. WT/L/579 (August 2, 2004)
- 7 Communication from Antigua and Barbuda, Barbados, Jamaica Kitts and Nevis and St Kitts and Nevis and Trinidad and Tobago JOB (05)/150 (July 13, 2005)
- 8 The argument for increased Aid for Trade has been made most cogently in Prowse, S. 'Aid for Trade: A Proposal for Increasing Support for Trade, Adjustment and Integration', in Evenett, S., and B. Hoekman (2006), *Economic Development and Multilateral Trade Cooperation*, The World Bank and Palgrave Macmillan
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- 10 UN Millennium Project, Task Force on Trade (2005), 'Trade for Development', *Earthscan*, London
- 12 Gordon Brown, in a speech to UN General Assembly, December 2004, called for the creation of an International Financing Facility (IFF) to provide additional financial aid for development
- 14 WT/MIN (05)/DEC Para 57 of the "Ministerial Declaration" (Doha Work Programme, December 22, 2005)
- 15 The task force comprised of 13 members: Barbados, Brazil, Canada, China, Colombia, the EU, Japan, India, Thailand, the US and the coordinators of the ACP (African, Caribbean and Pacific) Group of States, the African Group and the LDC (least-developed countries) Group
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