



# TRADE AND DEVELOPMENT- WTO AND DEVELOPING COUNTRIES



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# I - Trade and Development Nexus- What does it mean for the WTO?



# Is trade really an engine for development ?



- Trade can be a powerful source of growth and development (trade growth faster than economic output, Asian and Latin American economies);
- Trade can expand markets, facilitate competition and disseminate knowledge, raise productivity and facilitate assimilation and exposure to new technologies;



# Is trade really an engine for development ?



**Continued >>>>**

- No country has developed by turning its back on trade and long term capital flows;
- At the same time trade liberalization will not automatically lead to growth and development



# WTO work on Development



## GATT Objectives:

- Raising standards of living
- Ensuring full employment
- Ensuring large & steadily growing volume of income & effective demand
- Developing full use of global resources
- Expanding production and trade in goods



# WTO work on Development: Evolution of the flexibilities for Developing countries in the GATT/WTO system



## >> Uruguay Round outcomes:

- Basic principles were to provide certainty and predictability in global trade
- Marrakech Agreement - Preamble Recognized "... need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in growth in international trade commensurate with the needs of their economic development".





# >> Uruguay Round outcomes: In the agreements: more time, better terms: Example of **flexibilities in Agriculture**

## Cuts in subsidies and protection

The reductions agreed in the 1986-94 Uruguay Round

### Developed

6 yrs **Developing**  
10 yrs

### Tariffs

2000

average cut

minimum cut

1995-

1995-2004

-36%

-15%

-24%

-10%

### Export subsidies

value of subsidies

subsidized quantities

-36%

-21% -14%

-24%

### Domestic support (distorting)

cuts in total (AMS) support

-20%

-13%

**3 PILLARS**

### NOTE

Least-developed countries do not have to reduce tariffs or subsidies.





## II - Challenges for Asian countries- Substance, Institutional and Domestic issues;



# Substance : What's in the Doha Round for developing countries?



- For the 1<sup>st</sup> time: A Development agenda to a multilateral trade negotiation
- For the 1<sup>st</sup> time: seriously aiming at correcting the imbalances in world trade-
- create level playing field in agriculture particularly in tackling Tariffs and subsidies,
  - Create market access opportunities >> tariff peaks and escalation; strengthen rules



# IMBALANCES IN AGRICULTURE



## THE PROBLEM: 'DISTORTION'

Before 1995

Agriculture exempt many GATT disciplines

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Even now, **subsidies**:

~ \$300 bn per year (**\$1bn per day**)

If distorting → over-production → low prices

Poorer countries cannot compete  
(imports and exports)

**Tariffs** on some products >> 100%

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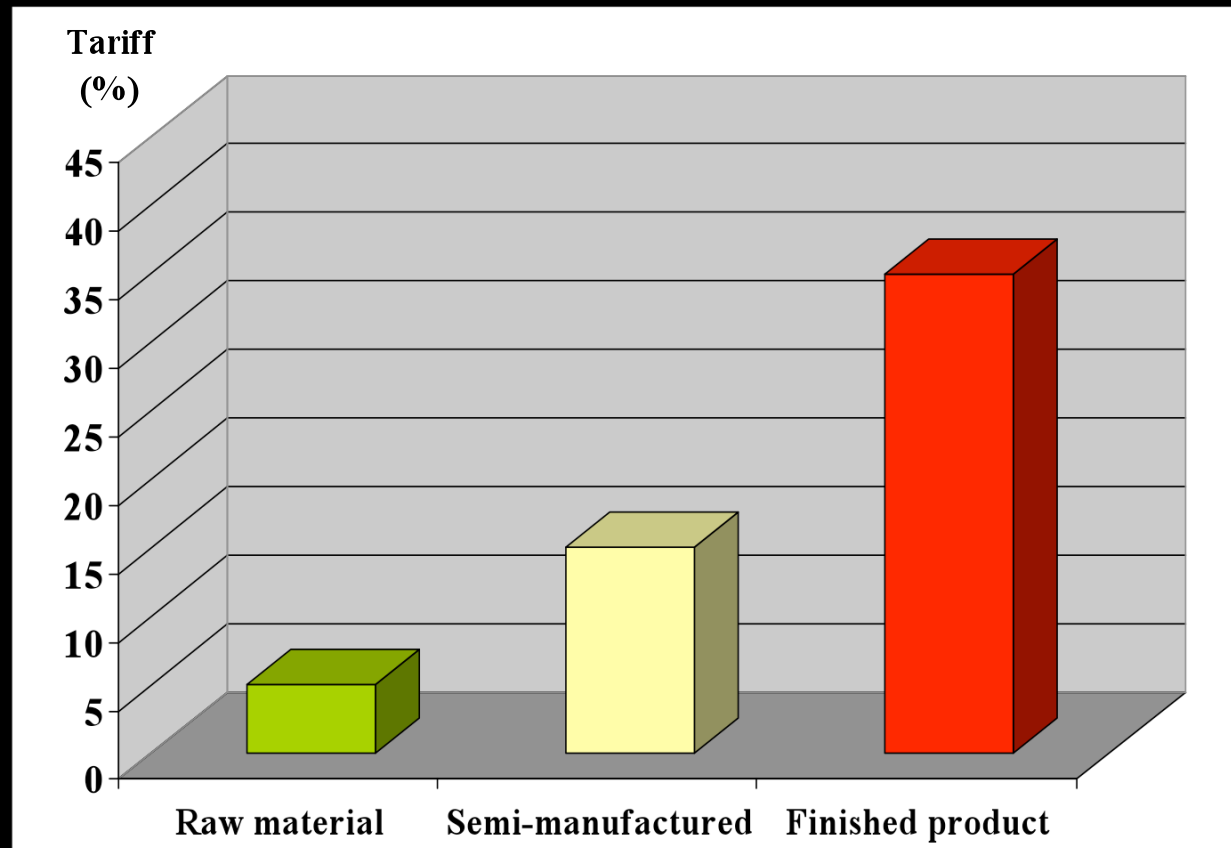
'**Unfair competition**' Developing countries  
complain of '**uneven playing field**'

**Access to markets blocked** south-north,  
south-south, north-south, north-north



# Why?

## IMBALANCES: Tarriff escalation



# Substance : What's in the Doha Round for developing countries?



>> **Continued**

- **Opportunities in the Services sector for all Members >> focus on Mode 4 >> Movement of persons to deliver their services**
- **LDC >> no obligations but Duty Free Quota Free (DFQF) access to many markets and products including from Developing countries**
- **Building Trade capacity and Trade Facilitation to seize trade opportunities**



# Institutional issues : Is transparency and inclusiveness still an issue?



- Developing countries are a majority
  - “Big” Developing Countries are influential in this Doha Round;
- But they’re not the only ones : SVEs, RAMs, VRAMs etc
- Secretive “Green Room Process” is definitely behind us
- Alliances such as G20 are crucial players in consensus building in agriculture but also elsewhere

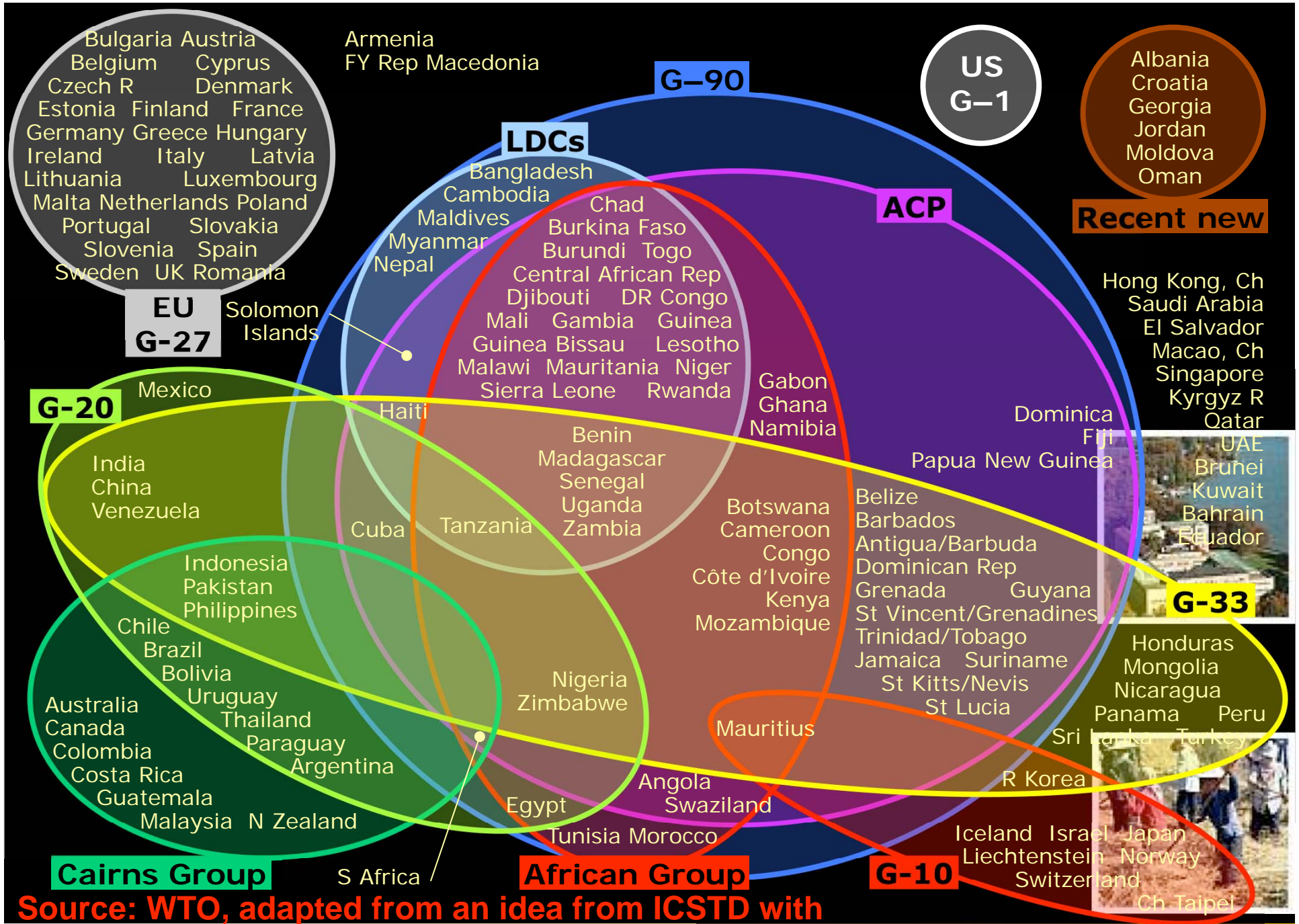


# Institutional issues : Is transparency and inclusiveness still an issue?



- Alliances and interest or geographical groupings are the name of the game in Geneva,
- Let's have a look at this ....





Source: WTO, adapted from an idea from ICSTD with contributions from Bob Wolfe (Queen's University)

Trade and Development (Nexus) >>> Challenges >>> Capacity issues

# Domestic Policy issues



- Domestic policies that mainstream trade into development strategies are essential;
- Strong institutional infrastructure; competent financial institutions; and transparent legal framework



# Domestic Policy issues



- Important to generate a 'strong' ownership of national reform process; Possible only by maximizing gains from trade liberalization
- However, reforms need a strong and committed political leadership





### III. Do Developing countries have the means to benefit from the WTO system and the Doha Round outcome





# Aid for trade : WTO roadmap to tackle capacity issues

What are we already doing  
for Asian countries? Trade  
Related Technical  
Assistance





# SOME CONCLUDING REMARKS



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- A development friendly and successful Doha Round can lead to increased trading opportunities;
- More importantly, the global community would need to work together to further help developing countries overcome supply-side constraints and capacity building



# SOME CONCLUDING REMARKS

>> Continued



- For trade to lead to development the developing countries would need to adopt matching domestic policies;
  - Institutional development and innovation would be one of the more important elements of such development strategies;
  - Multilateral trade rules should be strengthened to continue providing developing countries with flexibility to pursue appropriate development



# SOME CONCLUDING REMARKS

>> Continued



- Trade openness under the MTS plays a vital role in Members' growth and development.....But it is not a panacea for all challenges of development.



- Any effective response to these challenges must be embedded in supportive economic and multi – faceted policy framework.....



# SOME CONCLUDING REMARKS

>> Continued



- Major challenges are to effectively address;
  - the capacity problems (human, structural and institutional),
  - distribution of benefits created by freer trade
  - Ensuring international policy coherence

