

STRIKING A FAIRER DEAL FOR DEVELOPING COUNTRIES

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There has never been any disagreement on the importance of trade to the world economy. The world would certainly be much poorer in the absence of trade among nations. Evidently, the export-oriented countries with extensive trade connections have prospered greatly, while the inward-looking ones have remained poor and backward. No country can afford to be absolutely autarkic: the smaller the country, the more costly the outcome. Trade has made it possible for countries to specialise according to their respective factor and resource endowments and core competencies. And, the consumer is the biggest beneficiary of competition among nations, thanks to trade.

Countries that are bent on exporting only, but not importing, are also doing a great disservice to themselves by rejecting welfare gains that would otherwise accrue from cheaper imports. Prolonged protectionist policies only serve to shelter inefficient domestic industries from foreign competition. Seen in these terms, countries that dismantle trade barriers are doing themselves a great favour, while those that jealously guard their domestic industries are shooting in their own foot.

It is mainly for these reasons that there have been concerted international efforts at trade liberalisation. Thus far, there have been eight rounds of multilateral trade negotiations under the auspices of the General Agreement on Tariff and Trade (GATT). The Uruguay Round was the last of this series which ended in the Marrakesh Agreement, which in turn paved the way for the establishment of the World Trade Organization (WTO), a permanent body to replace the ad hoc GATT arrangement. These trade negotiations, with the notable exception of the Uruguay Round, had turned out to be an exclusively developed country affair.

Developing countries have cried foul, saying that these trade rounds have benefited the rich countries only and not the poor, while developed countries have retorted that developing countries had only themselves to blame for not participating in the multilateral trade talks. As bystanders, developing countries could only pick the crumbs falling from the table. It is this realisation which led developing countries to actively

participate in the Uruguay Round for the first time, which turned out to be a great learning experience.

Developing countries have learned that there is much more to it than meets the eye. Most developing countries have had serious difficulties in understanding the implications and ramifications of whatever they agree to, not to mention the lack of negotiating skills that tend to hamper the process. The issues at times look more benign than they really are, depending on the way in which they are articulated. This is particularly the case with the so-called “new” issues that are purportedly trade-related, concerning intellectual property rights, investment, environment, health and labour standards, etc. There is a real danger of such concerns being exploited by the protectionist forces in developed countries to their advantage.

There is also the fear that developed countries would take advantage of the weaknesses and shortcomings of developing countries to extract greater market access for their exports without giving much in return. This fear of being short-changed is manifest with regard to the liberalization of procurement procedures and trade in services, areas in which developed countries have tremendous competitive advantage.

The hard-liners among the developing countries have not only questioned the underlying motive for the inclusion of several issues in the trade talks, but also suggested that there are other forums which can handle them better and more equitably. Some of the issues are so contentious that their inclusion would not serve the main purpose of trade talks, namely the expansion of international trade.

In fairness, it must be pointed out that the interests of developing countries were not entirely sidestepped in the previous trade negotiations. As a matter of fact, built-in safeguards and other provisions such as the special and differential (S&D) treatment have been put in place, which do address some of the concerns of poor countries. All this notwithstanding, the fact remains that developing countries are no match for their developed counterparts and that it is wrong to impose developed country standards on developing countries which are at a much lower stage of development. Simply put, there is no such thing as “level playing field”.

It is therefore not at all surprising why developing countries have not been so keen to participate in yet another round of multilateral trade negotiations, this time under the

auspices of WTO. The Seattle debacle in December 1999 was an eye opener, which has apparently led to much soul-searching in the world trade body, if the outcome of the Fourth Ministerial Conference in Doha on 9-14 November 2001 is any indication. It now appears that developing countries are finally getting the attention they have been demanding all these years.

It is pertinent to note that the majority of WTO Members are developing countries whose needs and interests can no longer be ignored. The slow implementation of developed country commitments in the Uruguay Round, which has been a sore point, was addressed in Doha, making negotiations on outstanding implementation issues an integral part of the Work Programme.

It is remarkable that developed countries have climbed down considerably on the issue of agricultural protection, by agreeing to talk about possible phasing out of all forms of export subsidies, which they were previously dead against. The question of market access for non-agricultural products through the reduction or elimination of tariff and non-tariff measures, particularly on products of export interest to developing countries, was also addressed with much promise. The pledge by developed countries to phase out farm subsidies and to limit the use of antidumping laws is seen as a major breakthrough.

Thanks to the tough stance taken by India at Doha, developed countries also made concessions on trade-related intellectual property rights (Trips), giving least-developed countries until 2016 for compliance. In particular, the endorsement of the rights of poor countries to seek cheap medicines, contravening the rights of international companies to protect their patents, was a big gain for the Third World.

With regards to the trade-related investment issue (Trims), developing countries were also able to stick to their gun. While the importance and relevance of a multilateral framework “to secure transparent, stable and predictable conditions” for foreign direct investment for the expansion of trade was recognized, developing countries were able to buy time by calling for more studies. The need to craft a multilateral framework that would fully take into account the interests of home and host countries, especially the latter’s right to regulate in the public interest was underscored at Doha.

The issue of competition policy, which most developing countries view as a developed country ploy to gain market access, was also toned down considerably this time around,

with calls for further studies on core principles, provisions for hardcore cartels and reinforcement of competition institutions in developing countries. This is seen as a major concession, especially for least-developed countries which are not ready for the competition policy.

A compromise was struck on government procurement by shifting the focus from non-discrimination to transparency. Developing countries have long argued that non-discrimination would derail their development priorities and social agenda. Although there was a commitment in Doha that the negotiations on government procurement will take place after the Fifth Session of the Ministerial Conference, it was made abundantly clear that negotiations will be limited to the transparency aspects only, without restricting the right of developing countries to give preferences to domestic supplies and suppliers.

On WTO rules, too, there was an agreement to negotiate. However, this agreement is aimed at clarifying and improving disciplines and procedures under the existing WTO provisions, especially those governing trade-distorting practices as well as those applying to regional trade arrangements.

With respect to trade and environment, another contentious item on the WTO agenda, developed and developing countries met mid way by agreeing to negotiate the relationship between WTO rules and obligations set out in existing multilateral environmental agreements (MEAs) as well as the reduction, if not elimination, of tariff and non-tariff barriers to environmental goods and services. On the more controversial issues relating to labeling requirements and the effect of environmental measures on market access, there will be more studies but no negotiations yet.

It is of interest to note that a central thread that runs through the entire fabric is the concern for developing, especially least-developed, Member countries. The needs of these countries for enhanced technical assistance and capacity building support have been fully recognized and duly endorsed.

In short, developing countries have much to cheer about after the WTO Ministerial Conference in Doha. They seem to have got more than what they might have hoped for. They had gone to the Doha meeting deeply sceptical of the chances of getting a good hearing of their concerns. The Conference turned out to be a real bargain, as their voice was heard loud and clear. What is more, it was in Doha that the WTO accession

procedures for China and Taiwan were completed, while 28 more countries have begun negotiations for their accession. The new accessions will, no doubt, serve to tilt the scale in favour of developing countries in WTO in the years ahead.