

Trade, Development & the WTO

Regional Workshop on Trade-led
Development in the Multilateral
Trading System

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The relationship between Trade & Development:

- The Commission on Growth and Development (2006-08) looked at high growth countries. Some key conclusions:
 - ***Growth matters.*** “Growth is not an end in itself. But it makes it possible to achieve other important objectives of individual societies. It can spare people en masse from poverty and drudgery. Nothing else ever has.”
 - ***Success at using the global economy matters.*** All 13 countries that sustained 7% growth for 25 years or more “**fully exploited the global economy.**”
 - The relationship between trade and growth likely depends on a number of factors such as labour mobility, human capital, infrastructure, institutions and/or structural change
 - However, what appears to be irrefutable is that **greater openness is generally associated with higher levels of income**

**Integration into the world economy can
really help boost a country's economic
growth and development...
(Winters 2012)**

But the causal relationship is not so simple...merely opening up your market may not be enough....also size of economy matters, as do a host of other factors.....

The academic literature also gives mixed signals...

Rodrik (2000): Growth leads countries to open their markets.
Growth helps trade.

Ravallion (2001): “People are often hurting behind the averages”; considerable cross-country variation. *It depends.*

Dollar and Kraay (2001): Trade liberalisation leads to growth.
Trade helps growth.

Dollar and Kraay (2002): Income of poorest fifth of society rose in roughly equal proportion with increases in average income.
Growth helps the poor.

McKay and Sumner (2008): Growth has even been accompanied by increased poverty. *Sometimes growth can hurt the poor.*

What do many developing countries look like?

- Low level of industrialization
- Small Domestic markets
- Heavy reliance on primary product exports
- Low domestic savings to invest; cost of capital is high
- Limited access to advanced technology
- The same policies can have very different effects
- Domestic and external constraints on reform




So, with this background, the question is

“How To Make Trade Work For Development”






How To Make Trade Work For Development

- How to overcome the constraints faced by developing countries?
 - How to help developing countries maximise the benefits from the multilateral trading system?
 - Steps would need to be taken:
 - Institutionally
 - By the Trading Partners
 - Domestically
- 




Institutional Issues

➤ Objectives:

- ✓ Favorable international environment that facilitates trade and leads to development;
 - ✓ Key ingredients : predictability and certainty; but
 - ✓ Must also ensure a favourable and equitable outcome
 - ✓ One that takes into account the concerns and constraints of developing countries
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Institutional Issues

- Some key issues
 - Participation : Physical → Proactive
 - Decision making process : inclusive ?
 - Special provisions for developing countries,
 - Deeper flexibilities for the more vulnerable groups
 - Technical Assistance – how to ensure it achieves its objectives?
 - Domestic policy space – the pros and cons!
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What could major trading partners do?

- Respect principle of non-reciprocity
- Convert assurances into actual trade benefits
- Provide assistance to fulfill obligations in light of dc's capacity constraints
- Give priority to 'development dimension' of trade
- Agree to flexibilities for 'good' domestic policy






Domestic Issues

- Matching domestic policies are essential;
 - Strong institutional infrastructure; competent financial institutions; and transparent legal framework
 - However, reforms need a strong and committed political leadership;
 - Important to generate a ‘strong’ ownership of the national reform process : only possible by maximising the gains from trade liberalisation
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Trade and Development


Summary Observations

- The relationship between trade and development is complex and depends on both internal and external factors;
 - The causal link between different influencing factors is not clear;
 - Issue is compounded by peculiar structural features of developing countries economies;
 - Trade liberalization will not automatically lead to growth and development
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Trade and Development


Summary Observations

- A development friendly and conducive multilateral environment can lead to increased trading opportunities;
 - For these opportunities to be converted into actual gains trading partners would have to look beyond mercantilist gains;
 - Even more importantly, the global community would have to work together to help overcome supply side constraints and build trading capacity in dc's
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Trade and Development

Summary Observations

- However, for trade to lead to development countries would need to adopt matching domestic policies;
 - Investment; Institutions; Infrastructure; & Innovation would be key elements of any such development strategy;
 - Multilateral trade rules should therefore provide appropriate flexibility to developing countries to pursue their development priorities
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PART II

Development issues in the WTO...

**From GATT, to UR, to Doha, to
Nairobi and beyond...**

GATT (1947) 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

Developing countries at the start of the GATT era

- In 1947, GATT had no formal recognition of a category of “developing countries”
- The application of rights and obligations was uniform
- 23 original GATT contracting parties: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, South Africa, United Kingdom and the United States.
- *How are Members classified as developing countries in the WTO today ?*

Special and Differential Treatment in GATT

- Cornerstone of the GATT is the non-discrimination principle. Applied to its logical conclusion it should not be possible to give S&D treatment.
- The original GATT as such did not contain elaborate provisions conferring S&D treatment. All contracting parties to the GATT were treated equally.
- Developing countries participated as equal partners in tariff negotiations and had to justify the introduction of restrictive measures
- Question is why did not the developing countries insist on S&D treatment? It could probably be because of the high level of their tariffs at that time.

Special and Differential Treatment in GATT

- As the number of developing countries increased, discontent about the GATT also increased.
- Basic philosophy of the GATT challenged by developing countries; many of whom had just emerged from colonialism.
- They said that there cannot be a level playing field when the industrial countries possessed technology etc.
- If developing countries were to participate effectively in the MTS, necessary to extend S&D treatment to them.

Special and Differential Treatment in GATT

- Progressive Consideration of the Specific Needs of Developing Countries
- First Measure was the revision of Article XVIII in 1955 to permit developing countries to adopt, inter alia, measures to safeguard their balance-of-payments problems and also to promote the establishment of infant industry.
- Article XXVIII (bis) introduced also at the Review Session, permitted a more flexible use of tariff protection to facilitate economic development.

Special and Differential Treatment in GATT

- Part IV of GATT adopted in 1965-66
- The adoption of Part IV was seen as a milestone in the history of international trade relations. There was the expectation that it would facilitate the greater participation of developing countries in the multilateral trading system and lead to economic growth and development.
- The principle of non-reciprocity in trade negotiations was formally recognised: “The developed contracting parties do not expect reciprocity for commitments made by them in trade negotiations to reduce or remove tariffs and other barriers to the trade of less-developed contracting parties.”

Special and Differential Treatment in GATT

- The Enabling Clause adopted in 1979 as part of the results of the Tokyo Round. Provided permanent legal bases for the following:
- Derogation from the MFN principle to allow developed countries to grant trade preferences on a non-discriminatory basis to developing Countries (GSP);
- Graduation of developing countries;
- Derogation from the MFN principle to permit developing countries to enter into regional trade agreements among themselves.
- Derogation from the MFN principle to permit deeper preferences to be extended to least-developed countries within GSP schemes

Development Issues in the Uruguay Round

- Sustainable development introduced as core objective
- Recognition of need to boost developing country participation in trade
- Single undertaking: all countries had to apply all rules;
- Recognition of special needs and constraints of developing countries;
- Special and differential treatment provisions for developing countries adopted across virtually all agreements; (over 140 special and differential treatment provisions, spread over 6 different categories);

Preamble to the Marrakesh Agreement (1994)

- In addition to enhancing economic development and lowering barriers to trade and helping development... objective...
- “... relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income...and expanding the production of and trade in goods and services”
- “...while allowing for the optimal use of the world’s resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so...”

Special and Differential Treatment

- The main types of S&D treatment in the UR Agreements are as follows:
 - 1) provisions aimed at increasing trade opportunities
 - 2) provisions which urge WTO Members to safeguard the interest of dc's, esp. while using trade remedies
 - 3) provisions offering flexibility of commitments
 - 4) transitional time periods
 - 5) provisions related to technical assistance
 - 6) provisions in favour of least developed countries

Experience of Implementing the UR

- A number of countries benefited because of openness and trade liberalization,
- But also the realisation that the UR had introduced too many obligations and commitments;
- While Textiles and Agriculture came in, but so did TRIPs and TRIMs;
- Share in global trade of the 49 poorest countries fell from 0.8% to 0.4% (1980 -99).
- Products of export interest to developing countries often face high tariffs and NTB's.

The Launch of the Doha Round (2001)



The Doha Round -main elements

- Why was the Doha Round launched? Why the focus on development?
- Developing country concerns emphasized in all areas of the negotiations:
 - **Agriculture**: cut tariffs, export subsidies, domestic farm support.
 - **Manufactured goods**: slash tariffs and tariff escalation on products that developing countries make and export.
 - **Services**: negotiate “with a view to” promoting development.
 - **Development issues**: review and potentially strengthen special provisions for developing countries.

The Development objectives of Doha Round

- The Doha Declaration had 21 subjects listed in the negotiations;
- It represents the most ambitious multilateral trade round of negotiations;
- Needs and interests of developing countries have been placed at the heart of the work programme;
- Seeks to achieve balanced trade rules and remove some of the major distortions to global trade;
- Strong emphasis on training and capacity building;
- Directive to conclude the negotiations no later than by 1 January 2004

A Summary of the timelines (From Doha to Nairobi and After)

- 2001 Doha Development Agenda launched
 - 2004 Cancún Ministerial Conference
 - 2004 Launch of TF Negotiations as part of July package
 - 2005 Hong Kong Ministerial Conference
 - 2008 A very close miss !
 - 2011 Members admit that comprehensive Doha deal unlikely in near future; pledge to work towards agreements where progress can be achieved.
 - 2012 In November the G-33 introduces proposal on Public Stockholding
- * *over a decade of negotiations marked by some breakthroughs but long periods of stasis !!

A Summary of the timelines (From Doha to Nairobi and After)

2013

Bali Ministerial Conference

Trade facilitation Agreement

Food Security Compromise

LDC Package - DFQF, ROO, Services & Cotton

2014

Ratification of TF Negotiations takes centre stage

2015

Progress in ratification of Trade Facilitation Agreement

2015

Nairobi Ministerial Conference

- Agriculture - Export Competition; SSM; Public Stockholding for Food Security;
- LDC Package - Services, ROO, Cotton;
- WP on Small Economies & Electronic Commerce



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- forum for negotiations

- agreed rules and commitments

- ...with basic principles for trade

- ...and dispute settlement

- member-driven

- supporting Secretariat