

How the WTO deals with the special needs of an increasingly important group

1. Overview

About two thirds of the WTO's around 150 members are developing countries. They play an increasingly important and active role in the WTO because of their numbers, because they are becoming more important in the global economy, and because they increasingly look to trade as a vital tool in their development efforts. Developing countries are a highly diverse group often with very different views and concerns. The WTO deals with the special needs of developing countries in three ways:

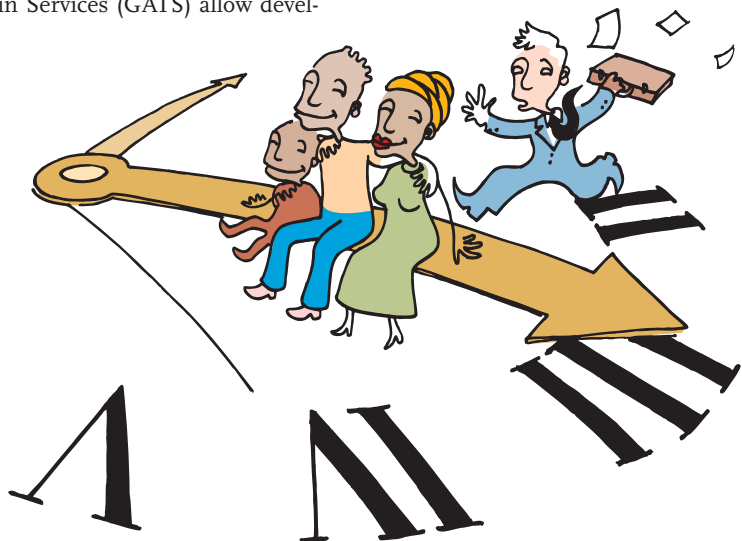
- the **WTO agreements** contain **special provisions** on developing countries
- the **Committee on Trade and Development** is the main body focusing on work in this area in the WTO, with some others dealing with specific topics such as trade and debt, and technology transfer
- the **WTO Secretariat** provides **technical assistance** (mainly training of various kinds) for developing countries.

In the agreements: more time, better terms

The WTO agreements include numerous provisions giving developing and least-developed countries special rights or extra leniency — “special and differential treatment”. Among these are provisions that allow developed countries to treat developing countries more favourably than other WTO members.

The General Agreement on Tariffs and Trade (GATT, which deals with trade in goods) has a special section (Part 4) on Trade and Development which includes provisions on the concept of non-reciprocity in trade negotiations between developed and developing countries — when developed countries grant trade concessions to developing countries they should not expect the developing countries to make matching offers in return.

Both GATT and the General Agreement on Trade in Services (GATS) allow developing countries some preferential treatment.



Other measures concerning developing countries in the WTO agreements include:

- **extra time** for developing countries to fulfil their commitments (in many of the WTO agreements)
- provisions designed to increase developing countries' **trading opportunities** through greater market access (e.g. in textiles, services, technical barriers to trade)
- provisions requiring WTO members to **safeguard the interests** of developing countries when adopting some domestic or international measures (e.g. in anti-dumping, safeguards, technical barriers to trade)
- provisions for various **means of helping** developing countries (e.g. to deal with commitments on animal and plant health standards, technical standards, and in strengthening their domestic telecommunications sectors).

Legal assistance: a Secretariat service

The WTO Secretariat has special legal advisers for assisting developing countries in any WTO dispute and for giving them legal counsel. The service is offered by the WTO's Training and Technical Cooperation Institute. Developing countries regularly make use of it.

Furthermore, in 2001, 32 WTO governments set up an Advisory Centre on WTO law. Its members consist of countries contributing to the funding, and those receiving legal advice. All least-developed countries are automatically eligible for advice. Other developing countries and transition economies have to be fee-paying members in order to receive advice.

Least-developed countries: special focus

The least-developed countries receive extra attention in the WTO. All the WTO agreements recognize that they must benefit from the greatest possible flexibility, and better-off members must make extra efforts to lower import barriers on least-developed countries' exports.

Since the Uruguay Round agreements were signed in 1994, several decisions in favour of least-developed countries have been taken.

Meeting in Singapore in 1996, WTO ministers agreed on a "Plan of Action for Least-Developed Countries". This included technical assistance to enable them to participate better in the multilateral system and a pledge from developed countries to improved market access for least-developed countries' products.

A year later, in October 1997, six international organizations — the International Monetary Fund, the International Trade Centre, the United Nations Conference for Trade and Development, the United Nations Development Programme, the World Bank and the WTO — launched the "Integrated Framework", a joint technical assistance programme exclusively for least-developed countries.

In 2002, the WTO adopted a work programme for least-developed countries. It contains several broad elements: improved market access; more technical assistance; support for agencies working on the diversification of least-developed countries' economies; help in following the work of the WTO; and a speedier membership process for least-developed countries negotiating to join the WTO.

At the same time, more and more member governments have unilaterally scrapped import duties and import quotas on all exports from least-developed countries.

A 'maison' in Geneva: being present is important, but not easy for all

The WTO's official business takes place mainly in Geneva. So do the unofficial contacts that can be equally important. But having a permanent office of representatives in Geneva can be expensive. Only about one third of the 30 or so least-developed countries in the WTO have permanent offices in Geneva, and they cover all United Nations activities as well as the WTO.

As a result of the negotiations to locate the WTO headquarters in Geneva, the Swiss government has agreed to provide subsidized office space for delegations from least-developed countries.

A number of WTO members also provide financial support for ministers and accompanying officials from least-developed countries to help them attend WTO ministerial conferences.

ON THE WEBSITE:

www.wto.org > trade topics > development



2. Committees

Work specifically on developing countries within the WTO itself can be divided into two broad areas: (i) work of the WTO committees (this heading), and (ii) training for government officials (and others) by the WTO Secretariat as mandated by the committee (next heading).

Trade and Development Committee

The WTO Committee on Trade and Development has a wide-ranging mandate. Among the broad areas of topics it has tackled as priorities are: how provisions favouring developing countries are being implemented, guidelines for technical cooperation, increased participation of developing countries in the trading system, and the position of least-developed countries.

Member countries also have to inform the WTO about special programmes involving trade concessions for products from developing countries, and about regional arrangements among developing countries. The Trade and Development Committee handles notifications of:

- Generalized System of Preferences programmes (in which developed countries lower their trade barriers preferentially for products from developing countries)
- preferential arrangements among developing countries such as MERCOSUR (the Southern Common Market in Latin America), the Common Market for Eastern and Southern Africa (COMESA), and the ASEAN Free Trade Area (AFTA).

Sub-committee on Least-Developed Countries

The Sub-committee on Least-Developed Countries reports to the Trade and Development Committee, but it is an important body in its own right. Its work focuses on two related issues:

- ways of integrating least-developed countries into the multilateral trading system
- technical cooperation.

The sub-committee also examines periodically how special provisions favouring least-developed countries in the WTO agreements are being implemented.

The Doha agenda committees

The Doha Ministerial Conference in November 2001, added new tasks and some new working groups. The Trade and Development Committee meets in “special sessions” to handle work under the Doha Development Agenda. The ministers also set up working groups on Trade, Debt and Finance, and on Trade and Technology Transfer. (For details see the chapter on the Doha Agenda.)

3. WTO technical cooperation

Technical cooperation is an area of WTO work that is devoted almost entirely to helping developing countries (and countries in transition from centrally-planned economies) operate successfully in the multilateral trading system. The objective is to help build the necessary institutions and to train officials. The subjects covered deal both with trade policies and with effective negotiation.

Training, seminars and workshops

The WTO holds regular training sessions on trade policy in Geneva. In addition, it organizes about 500 technical cooperation activities annually, including seminars and workshops in various countries and courses in Geneva.

Targeted are developing countries and countries in transition from former socialist or communist systems, with a special emphasis on African countries. Seminars have also been organized in Asia, Latin America, the Caribbean, Middle East and Pacific.

Funding for technical cooperation and training comes from three sources: the WTO’s regular budget, voluntary contributions from WTO members, and cost-sharing either by countries involved in an event or by international organizations.

The present regular WTO budget for technical cooperation and training is 7 million Swiss francs.

Extra contributions by member countries go into trust funds administered by the WTO Secretariat or the donor country. In 2004, contributions to trust funds totalled 24 million Swiss francs.

A WTO Reference Centre programme was initiated in 1997 with the objective of creating a network of computerized information centres in least-developed and developing countries. The centres provide access to WTO information and documents through a print library, a CD-ROM collection and through the Internet to WTO websites and databases. The centres are located mainly in trade ministries and in the headquarters of regional coordination organizations. There are currently 140 reference centres.

4. Some issues raised

The Uruguay Round (1986–94) saw a shift in North-South politics in the GATT-WTO system. Previously, developed and developing countries had tended to be in opposite groups, although even then there were exceptions. In the run up to the Uruguay Round, the line between the two became less rigid, and during the round different alliances developed, depending on the issues. The trend has continued since then.

In some issues, the divide still appears clear — in textiles and clothing, and some of the newer issues debated in the WTO, for example — and developing countries have organized themselves into alliances such as the African Group and the Least-Developed Countries Group.

In many others, the developing countries do not share common interests and may find themselves on opposite sides of a negotiation. A number of different coalitions among different groups of developing countries have emerged for this reason. The differences can be found in subjects of immense importance to developing countries, such as agriculture.

This is a summary of some of the points discussed in the WTO.

Peaks' and 'escalation': what are they?

Tariff peaks: Most import tariffs are now quite low, particularly in developed countries. But for a few products that governments consider to be sensitive — they want to protect their domestic producers — tariffs remain high. These are “tariff peaks”. Some affect exports from developing countries.

Tariff escalation: If a country wants to protect its processing or manufacturing industry, it can set low tariffs on imported materials used by the industry (cutting the industry's costs) and set higher tariffs on finished products to protect the goods produced by the industry. This is “tariff escalation”. When importing countries escalate their tariffs in this way, they make it more difficult for countries producing raw materials to process and manufacture value-added products for export. Tariff escalation exists in both developed and developing countries. Slowly, it is being reduced.

Participation in the system: opportunities and concerns

The WTO agreements, which were the outcome of the 1986–94 Uruguay Round of trade negotiations, provide numerous opportunities for developing countries to make gains. Further liberalization through the Doha Agenda negotiations aims to improve the opportunities.

Among the gains are export opportunities. They include:

- fundamental reforms in agricultural trade
- phasing out quotas on developing countries' exports of textiles and clothing
- reductions in customs duties on industrial products
- expanding the number of products whose customs duty rates are “bound” under the WTO, making the rates difficult to raise
- phasing out bilateral agreements to restrict traded quantities of certain goods — these “grey area” measures (the so-called voluntary export restraints) are not really recognized under GATT-WTO.

In addition, liberalization under the WTO boosts global GDP and stimulates world demand for developing countries' exports.

But a number of problems remain. Developing countries have placed on the Doha Agenda a number of problems they face in implementing the present agreements. And they complain that they still face exceptionally high tariffs on selected products (“tariff peaks”) in important markets that continue to obstruct their important exports. Examples include tariff peaks on textiles, clothing, and fish and fish products. In the Uruguay Round, on average, industrial countries made slightly smaller reductions in their tariffs on products which are mainly exported by developing countries (37%), than on imports from all countries (40%). At the same time, the potential for developing countries to trade with each other is also hampered by the fact that the highest tariffs are sometimes in developing countries themselves. But the increased proportion of trade covered by “bindings” (committed ceilings that are difficult to remove) has added security to developing country exports.

A related issue is “tariff escalation”, where an importing country protects its processing or manufacturing industry by setting lower duties on imports of raw materials and components, and higher duties on finished products. The situation is improving. Tariff escalation remains after the Uruguay Round, but it is less severe, with a number of developed countries eliminating escalation on selected products. Now, the Doha agenda includes special attention to be paid to tariff peaks and escalation so that they can be substantially reduced.

Erosion of preferences

An issue that worries developing countries is the erosion of preferences — special tariff concessions granted by developed countries on imports from certain developing countries become less meaningful if the normal tariff rates are cut because the difference between the normal and preferential rates is reduced.

Just how valuable these preferences are is a matter of debate. Unlike regular WTO tariff commitments, they are not “bound” under WTO agreements and therefore they can be changed easily. They are often given unilaterally, at the initiative of the importing country. This makes trade under preferential rates less predictable than under regular bound rates which cannot be increased easily. Ultimately countries stand to gain more from regular bound tariff rates.

But some countries and some companies have benefited from preferences. The gains vary from product to product, and they also depend on whether producers can use the opportunity to adjust so that they remain competitive after the preferences have been withdrawn.

The ability to adapt: the supply-side

Can developing countries benefit from the changes? Yes, but only if their economies are capable of responding. This depends on a combination of actions: from improving policy-making and macroeconomic management, to boosting training and investment. The least-developed countries are worst placed to make the adjustments because of lack of human and physical capital, poorly developed infrastructures, institutions that don't function very well, and in some cases, political instability.