

[Eric Neumayer](#)

## Developing countries in the WTO: support or resist the `millennium' round?

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## **The developing countries in the WTO:**

**Support or resist a new 'Millennium' round of trade negotiations?**

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**Eric Neumayer**

Department of Geography and Environment, London School of Economics and Political Science,  
Houghton Street, London WC2A 2AE, United Kingdom

Tel: +44-171-955-7598. Fax: +44-171-955-7412. Email: [e.neumayer@lse.ac.uk](mailto:e.neumayer@lse.ac.uk)

When members of the World Trade Organization (WTO) gather for their ministerial meeting in Seattle from 30 November to 3 December 1999, the most fundamental question for them to decide is whether or not to launch a new, so-called 'Millennium' round of trade negotiations. The developed countries are all in favour of this new round, the most explicit and vocal supporters being the European Union and Japan. The developing countries are split: While most Latin American and some Asian countries support a new round, the majority of African and Asian countries – most notably Egypt, Zimbabwe, India, Bangladesh, Pakistan and Malaysia – are opposed. This opposition is shared by many developmental NGOs, some of which are indeed outspoken critics of virtually any form of market opening in developing countries – see, for example, the writings, speeches and position papers by Martin Khor, Director of the Malaysia-based Third World Network (Khor 1999).

Those opposed to a new round of trade negotiations argue that the last, so-called Uruguay round has been unbalanced in its beneficial effects for WTO member countries. The developed countries, it is argued, have benefited quite substantially from including topics in the agreement that they favour: intellectual property rights, services, telecommunications, restriction of production and export subsidies, increased access to developing countries' markets, to mention just a few. The developing countries, on the other hand, are said to have hardly, if at all, benefited from trade liberalisation enacted by the Uruguay round treaty that transformed the General Agreement on Tariffs and Trade (GATT) into the WTO. Opponents to a new round of trade negotiations therefore demand that the old Uruguay agreement is re-negotiated and re-balanced and that no new items are put on the agenda. In short, this viewpoint article will argue that while the critics are right to a great extent in maintaining that developing countries have not benefited as much from the Uruguay round as they should have, it is in their best interest to support rather than resist a

new round of trade negotiations as this represents their only chance to get their fair share of benefits out of the international trade regime.

How do developing countries currently fare in the WTO? On paper they are privileged. The WTO agreements of the Uruguay round guarantee them 'special and differential' treatment (WTO 1999). Developed countries are encouraged to grant developing countries trade preferences and a number of WTO agreements contain special provisions that are supposed to safeguard developing countries' interests. For example, in the Agreement on Technical Barriers to Trade (TBT Agreement) the preparation and application of technical regulations and standards is supposed to take into account the special needs of developing countries. The same applies to measures taken in pursuance of the Agreement on Sanitary and Phytosanitary Measures (SPS Agreement). Furthermore, most of the WTO agreements allow developing countries a transitional period of grace until the provisions have to be implemented. For example, in the Agreement on Subsidies and Countervailing Measures, developing countries were given eight years for phasing out the relevant subsidies and a number of least developed countries and other poor developing countries with an annual per capita income of less than 1000 US\$ were totally exempted from the prohibition of export subsidies. Lastly, a couple of WTO agreements envisaged the provision of trade-related technical assistance to developing countries either by developed countries on a bilateral basis or through multilateral institutions.

Developing countries welcomed their 'special and differential treatment' at the time of conclusion of the WTO agreements, but have by now grown disillusioned about their actual effects. They rightly complain that the special provisions that were supposed to safeguard their interests have been largely ineffectual in reality, that the transitional time periods were too short for them to adjust to the requirements of the WTO agreements and that the promised technical assistance was too little and too unsystematic to strengthen their

capacity to comply with trade obligations. In a high level symposium on trade and development held by the WTO in Geneva on 17-18 March 1999, developing countries were united in their suggestion that by and large 'special and differential treatment' has proved to be a 'dead letter' (ICTSD 1999).

This does not mean, however, that developing countries have not benefited at all from the Uruguay Round. Substantial gains have already arisen and are bound to rise further over time due to the gradual phasing in of agriculture and textiles into the WTO for which developing countries have a clear comparative advantage. They have also benefited from a further clarification and formalisation of dispute settlement rules, including some special provisions for developing countries, such as participation of a panelist from the developing world upon a developing country's request and provision of qualified legal assistance to developing countries. This has led to increased participation from a broader range of developing countries trying to defend their trade rights, whereas the former GATT dispute settlement was mostly only invoked by large developing countries such as Argentina, Brazil, Chile, Hong Kong and India (Kuruvila 1997). It is encouraging to see that an Advisory Centre on WTO Law, which will provide legal expertise and training to developing countries, is now supported by enough WTO member countries to make its full establishment by the end of 1999 likely (Anonymous 1999a). Especially very poor countries have always demanded this legal assistance to help them realise their rights.

Nevertheless, it seems fair to say that the developed countries have benefited much more relative to developing countries from the Uruguay round, a conclusion that was tentatively accepted even by WTO Director-General Renato Ruggiero at the mentioned high level symposium on trade and development (ICTSD 1999). Given this imbalance, it is understandable why India and other developing countries want to resist a new trade round and want to merely re-negotiate existing agreements in their favour. But is this also a vi-

able political strategy? Presumably not. Why should the developed countries make any concessions if any benefit to them is automatically excluded by banning from the agenda all issues such as investment, competition policy and government procurement in which they have a special interest? Only if the developing countries constructively, but critically, support a new comprehensive trade round will they also be able to push for provisions that are in their favour. These can either consist of a rectification of existing agreements or the negotiation of new provisions. Developing countries should push for the removal of persisting impediments to market access for goods in which they have a particular export interest such as agriculture, textiles, leather, clothes and footwear. These impediments exist in the form of escalating tariffs, which discourage the manufacturing and processing of raw materials in developing countries, tariff peaks and non-tariff barriers. They should also push for restrictions on the use of so-called anti-dumping actions by developed countries that are often protectionist measures in disguise and for openness, certainty and transparency on the use of environmental measures for restricting market access, especially in the form of ecolabelling.

The chances that the developing countries might be able to secure substantial benefits for them in a new trade round are not too bad. For example, as concerns agriculture, the developing world can count in many aspects on the United States to press for reduced subsidies in the European Union, Japan and other high protectionist countries, while keeping protections in the poorest countries which cannot afford to import food in times of crisis. The US representative at the high level symposium also assured developing countries that the United States would be willing to consider increased market access for developing countries' industrial goods (ICTSD 1999, p. 3). Similarly, the developed countries seem to be open towards considering duty free market access for exports from least developed countries, even at an early stage of a new trade round, and to be open towards further

debt reliefs, even if these are not strictly within the scope of the WTO. It is certainly true that a new comprehensive trade round with a multitude of potential new obligations would further increase the pressure on the limited institutional capacity of developing countries to comply with these obligations. On the other hand, because developed countries are aware of this, a new trade round might provide a unique chance to push through commitments for effectual, substantial and systematic assistance for capacity building and technology transfer.

The developing countries should seize the opportunity to signal to the developed countries that they are willing to support a new comprehensive round of trade negotiations, but only under certain conditions. Only such constructive, but critical, support makes a re-balancing of the benefits from the Uruguay round possible and a realisation of further benefits likely. A total resistance will not rectify any past imbalances and will prove a self-defeating strategy in the long run. What is important, however, is that alongside such negotiations, which are expected to take several years until conclusion, there should be a comprehensive assessment of the social and economic effects on developing countries of the Uruguay trade round and of the likely effects of any new negotiations, inclusive of an environmental and gender analysis. Only such an assessment will show which provisions are most in need of rectification and where substantial improvements have to be achieved. The WTO secretariat is currently in the process of preparing a paper on the review of 'special and differential treatment' provisions (Anonymous 1999b). But this can only amount to a first step towards a comprehensive assessment that looks at the full socio-economic dimensions. Developing countries and developmental NGOs like Oxfam and the International Coalition for Development Action should close ranks and do their best that the new 'Millenium' round of trade negotiations gives the poor and disadvantaged of this world their fair share of the benefits of the international trade regime.

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