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# **Developing Country Concerns and Multilateral Trade Negotiations**

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## Developing Country Concerns and Multilateral Trade Negotiations

The third WTO Ministerial Conference that was held in Seattle late last year was being promoted by many as the “Development Round”. While the final post mortem on the collapsed negotiations has yet to be written, it is safe to say that the failure in Seattle was in large part due to the disenchantment of many developing countries with both the content and process of the talks. Although developing country members<sup>1</sup> of the WTO held no single, united negotiating position going into the Ministerial, they did share a number of concerns. Issues related to market access, the openness of the WTO negotiating process, the potential use of labour and environmental standards as barriers to trade, food security, debt relief, attracting foreign direct investment, and obtaining access to new technologies all remain important considerations for many developing countries.

In the area of market access, developing countries have two main concerns; negotiating further access to developed country markets, and addressing some issues left over from implementing the Uruguay Round Agreements. The Marrakesh Declaration made at the Ninth Ministerial Conference of the Group of 77 in September of 1999 called upon the developed countries to allow duty free and quota free access to exports from the least-developed countries. Indeed, prior to the Seattle Ministerial, the Quad countries (Canada, the US, the European Union and Japan) expressed a willingness to offer the least-developed countries duty free access on essentially all of their products. It is widely felt that such a move would have little or no negative impact on the developed economies. An unfortunate consequence of the breakdown in the Seattle talks is the loss of momentum for early implementation of such a plan.

Some other new market access issues the developing countries hoped to discuss in Seattle included elimination of tariff peaks and tariff escalation; and the introduction of further disciplines to prevent the abuse of measures such as antidumping, countervailing duties, safeguard actions, sanitary and phytosanitary regulations, and technical barriers to trade. They also wish to prevent a revival of the use of voluntary export restraints. Developing countries would like the use of food aid and export credits to be reviewed under a new trade round. A big concern with these practices is the potential damage they can cause to domestic food producers in the least developed countries. As such, many of the least-developed countries view this as a food security issue. It has been suggested that food security concerns could be addressed through the introduction of a “food security box”. The food security box would be similar to other existing exemptions (Green and Blue Boxes) and would feature a series of exemptions to the Agreement on Agriculture for developing countries whose agriculture was not meeting basic food security needs. The creation of yet more “exemptions” for agri-food trade will be vigorously opposed by low cost exporters. However, the use of export taxes, and trade

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<sup>1</sup> The WTO recognizes 29 of its members as “least-developed” countries. These countries have been designated as least-developed by the United Nations, whose current list numbers 48. A majority of the remaining 106 WTO member states could certainly be considered “developing” countries. The term “developing” country is used hereafter to refer to both the least-developed countries and other developing countries, whereas “least-developed” refers to those countries so designated by the UN.

embargoes are of crucial importance to the well being of net food importers and will have to be addressed.

Despite the developing countries' desire to address these evolving market access issues, it was widely felt going into Seattle that before any further liberalization could occur, developing country concerns regarding the Uruguay Round Agreements needed to be addressed and resolved. Indeed, the G77 ministers stressed that many developing countries feel they have missed out on the predicted Uruguay Round gains in areas of interest to them and further, they face potentially large dislocation costs from its implementation<sup>2</sup>. Among the Uruguay Round implementation issues worrying developing countries, probably the greatest shared concern is over improved market access for textiles and clothing. The Uruguay Round Agreement on Textiles and Clothing (ATC) promises the phase-out and eventual elimination of bilateral quotas on textiles and clothing<sup>3</sup>. However, most of the proposed changes to the old Multifibre Arrangement (MFA) are scheduled for the end of the ATC implementation period in 2005. Many developing countries fear that MFA importing countries, like the US, the European Union, and Canada may either balk at the last minute, further delaying the elimination of the trade and production distorting quotas, or will continue to limit access through some other form of protection such as antidumping actions. In Seattle, US Trade Representative Charlene Barshefsky's "a deal is a deal" dismissal of developing countries' concerns about the Uruguay Round appeared to poison the already tense negotiating environment.

Developing countries feel that having access to new technologies is key to their economic progress. Many believe that the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) has erected barriers to acquiring new technology and knowledge; endangering agricultural producers' access to genetic resources, and increasing the costs of basic pharmaceutical drugs. Developing countries would like the TRIPS agreement to include protection of intellectual property rights relating to the traditional knowledge of local and indigenous communities. Many feel that the TRIPS Agreement threatens their ability to maintain and make use of their biological diversity in a sustainable manner. They would also like to see genetic resources for food and agriculture excluded from patenting. Researchers and companies responsible for developing new technologies insist that their research and development costs cannot be recouped if they are not granted some form of protection for their discoveries. Indeed, researchers from developing countries would also benefit from patent protection and enforcement.

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<sup>2</sup> The World Bank estimates that the average cost to each developing country of implementing just three of the agreements in the [Uruguay Round](#) was US\$150 million. Many feel it will be particularly costly to implement reforms to procedures (e.g. customs valuation and import licensing), and regulations under the SPS and TRIPS Agreements.

<sup>3</sup> Up to the end of the Uruguay Round, textile and clothing quotas were negotiated bilaterally and governed by the rules of the [Multifibre Arrangement](#). The primarily wealthy importing countries negotiated individual quotas with exporters in order to protect their domestic textiles and clothing industries from surges in imports. These protectionist measures could be used against the exports of any country, but developing countries were most vulnerable.

When the Uruguay Round Agreement was reached, many developing countries agreed to cooperate on the TRIPS agreement in exchange for greater access to developed country markets for agriculture, textiles and clothing. Many now feel that the Agreement on Agriculture failed to result in significant opening of developed country markets; pointing to the presence of tariff peaks and escalation, and the abuse of measures like antidumping actions. Dismantling of the Multifiber Arrangement is also proceeding at a slow pace. [UNCTAD](#) estimated that only 6 per cent of the value of restricted items had been liberalized at the time of the Seattle Ministerial. Rightly or wrongly, many developing countries feel they have been shortchanged by the Agreements on Agriculture, and Textiles and Clothing; and on top of this, they are stuck with an agreement on intellectual property rights that they feel is biased in favor of developed countries.

The fact that so many developing country members have expressed dissatisfaction with the Uruguay Round negotiating process reveals another common concern about the next multilateral trade round. Many developing countries feel that in the past, the WTO negotiating process has been controlled by a few key players from the developed world who forged agreements in secret and then pressured other countries to come on side. The Seattle Ministerial proved to be no different in the eyes of many developing country participants. Indeed, a number of developing country delegations angrily denounced the so-called "Green Room" meetings in Seattle after it became clear that many countries with small delegations would be unable to attend and thus participate in all of the ongoing negotiations. The developing country members protested that a more democratic and open negotiating process was needed in order for their goals and concerns to be given equal importance to those of the developed world. A number of developing country delegations threatened to protest any Ministerial declaration made at the end of the Seattle meetings. Indeed, the very real possibility of a lack of consensus among members may well be the main reason for the collapse of the Seattle Ministerial.

In the end, Barshefsky admitted that "the WTO has outgrown the processes appropriate to an earlier time...We needed a process which had a greater degree of internal transparency and inclusion to accommodate a larger and more diverse membership." When the negotiations are restarted, the developing countries feel they should be under the leadership of the WTO General Council, the majority of whose members are developing countries. However, WTO Director General, Mike Moore has been delegated with the authority to continue the Seattle process by both the US and the European Union. He is viewed by developing countries as being biased in favour of the major powers.

How can developing countries become more involved in future multilateral trade negotiations? The trade missions of many are understaffed and lack technical expertise. Some of the least developed countries have no representation in Geneva. One suggestion for improving the developing countries' capacity to negotiate would be to establish like-minded coalitions of countries whose trade negotiators are empowered to negotiate on behalf of all members of the group. Indeed, agricultural exporters like Argentina and Brazil belong to the Cairns Group and can thus rely to a certain extent on the negotiating

capacity of wealthier members like Canada and Australia to push their agenda. International agencies like UNCTAD and the WTO itself have attempted to assist developing countries by offering training and technical assistance. Some developing countries argue that the special and differential treatment extended by the Uruguay Round Agreement has resulted in little more than extended deadlines for meeting commitments. They are asking for more assistance in helping them to build the necessary capacity and infrastructure to fully implement their commitments.

The efforts of some NGOs present in Seattle also helped to push the idea of a development agenda. While some organizations clearly supported the goals of developing countries within the context of the negotiations, the motives of others that claimed to embrace the development agenda could be questioned. When the goal of so many protesting the WTO was to thwart any attempts to launch a new multilateral trade round, it is doubtful whether the ultimate good of poor workers and subsistence farmers in the developing world were their real concerns. The development agenda was just a convenient cause to support, while the real motivation was the advancement of their own goals.

Developing countries were also upset in Seattle by the attempts of some industrialized countries to establish working groups on bringing labour and environmental standards under the auspices of the WTO. They fear that strict regulations regarding labour and the environment will allow developed countries to employ sanctions to restrict the flow of goods from developing countries into their markets. Many non-governmental organizations, particularly labour unions from developed countries, argue that the WTO needs to enshrine basic rights for workers including the right to organize, and a prohibition of the use of child labour. The developing countries feel that they possess a comparative advantage in the production of labour intensive goods like textiles and clothing and do not wish to be penalized for being low cost producers.

Many viewed President Clinton's comments on introducing labour standards to the WTO as cynical pre-election maneuvering. The question is whether the WTO, on its own, is the proper international body to deal with the introduction and enforcement of labour and environmental standards. Some view the International Labour Organization (ILO) as the appropriate forum for dealing with issues regarding labour, but it currently is not empowered to effectively deal with the enforcement of standards. Perhaps if the ILO were linked to the WTO, this could prove to be the least trade distorting way of dealing with this issue. An international environmental organization has been proposed by some to deal with environmental issues. It likewise could be linked to the WTO for the purposes of enforcing standards.

Whatever the cause of the failed outcome at Seattle, Canadian agri-food producers have an enormous stake in the follow up. Some Canadian farmers are already facing a "crisis" as a result of low commodity prices. This situation is due in part to the continued use of export subsidies by the European Union. Canada will need to be sensitive to the demands of developing countries, if a new agreement on agriculture (or anything) is going to be possible in the future. Unfortunately for the developing world and the

Canadian agri-food industry, the prospects are remote for going anywhere quickly with a new trade round.

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