Bulletin Institute for Western Affairs

No. 81/ 2012
16’04’12

Institute for Western Affairs
Poznań

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Developing countries and the prospect of finalizing Doha Development Round

Highly-developed countries, including the members of the European Union and the United States, are not capable of forcing their position single-handedly. The increasingly better organization and institutionalization of treaties and agreements among developing countries, especially the newly emerging economies (G-20), force the OECD countries to take their position into consideration and at the same time to look for a solution that would have an impact on the final results of negotiations. The approach is consistent with the Doha Declaration, which defines negotiations as a single undertaking. It means that arriving at detailed agreements in specific areas, the WTO members ought to take into account the whole negotiation process and the impact of a single agreement on the final result of negotiations.

Since the very beginning of Doha Development Round, developing countries have incessantly been struggling to fulfill their goals. Their position and bargain force, however, differ considerably from what the countries demonstrated during the previous GATT negotiation rounds. Owing to better preparation and consolidation of advocacy groups and negotiation coalitions, there has emerged a viable opportunity of arriving at the final agreement.

The developmental dimension of the agenda is manifested in following the rule of special and different treatment (SDT) of the least developed countries (LDCs). The formula suggested under Doha negotiations includes the following: improving trade capacity of developing countries by giving them access to new markets, the WTO countries obliging to take the interests of those countries into consideration and maintaining flexibility of obligations of the developing countries under WTO agreements.

The integral part of the SDT mechanism is the Aid for Trade system, which comprises trade-related technical assistance and capacity building programs of developing countries and LDCs. What needs to be stressed, though, is that all developing countries use a system of preferences. The scale and scope of the preferences differ, however, depending on a given country's level of development. The membership of a country in the group of developing countries within WTO is not imposed on the basis of a specific criterion. Countries choose for themselves. Nonetheless, a group of 48 least developed countries has been determined, the membership in which is regulated by regulations established by the UN. The LDCs benefit from additional concessions and exemptions as well as special aid programs offered to them by wealthy countries of the north.

It is assumed that accepting aid packages under the new liberalization regulations within Aid for Trade ought to be complementary to the reduction of trade barriers. At the same time, greater attention ought to be paid to the uneven development factor among developing countries, as not all members of this category should take advantage of the system of preferences or be exempt from following the principle of reciprocity. Some costs resulting from the liberalization of trade may be borne by developing countries with higher income, e.g. the BRIC group members: China, India, Brazil and the Republic of South Africa, which for LDCs would be much more difficult, as their export capacity is insufficient and the competitiveness of their goods is limited. The problem is that LDCs cannot benefit from the new regulations concerning facilitating trade exchange and expanding trade capacity due to their insufficient communication, administration, legislation and technology infrastructures.

In the former case, the actions undertaken should be focused on research, trainings and establishing institutions in order to build an appropriate board of experts and researchers dealing with trade policy. Helping to build trade potential in the private sector is an indispensable condition to be fulfilled in order to enter the markets of the third countries. The most serious obstacle on the way to the development of proprietorship is the hindered access to credits and the impossibility to use tools and service companies or means of transport. Thus, the development of export capacity is curbed by various internal obstacles, resulting from the insufficiently developed financial, service or transport markets. On the other hand, the poor quality of infrastructure makes it difficult for producers and suppliers to reach both home and foreign markets and to store goods, which considerably increases the costs of such services. The supply of water and electricity is also a problem, and institutions responsible for auditing and granting certificates are highly ineffective.

Currently, emphasis is placed on actions contributing to building trade potential, which are dependent to a large extent on the external aid offered to a given countries by other countries or international organizations. A good example of participation in such actions is Germany. The country has occupied the top position among other European countries, spending the greatest amount of money on aid under the Aid for Trade initiative recommended by the WTO. Germany is also the biggest aid donor among the EU member states, operating in Development Aid Committee (DAC) under OECD. In 2008, Germany spent almost 3 billion USD on the Aid of Trade initiative. A year later, a slight - 9% - decrease was recorded, which was ascribed to the economic crisis, which still allowed Germany to maintain the leading position. France, the Great Britain and Spain came next. The European Union and its member states are definitely the greatest aid giver with annual expenses of almost 14 billion USD. In comparison to the 2002-2005 base period, it is a viable increase by 70%.

The most problematic area of negotiations within Doha Development Round, which has continued to restrain reaching agreement in other areas is agriculture. For developing countries, and especially for LDCs, agriculture remains the primary sector of economy, supporting the majority of citizens of these countries. The regulations concerning agriculture agreed upon at Uruguay Round (1986-1994), failed to facilitate entering the markets of the better-developed countries for these states. The protective policy of the highly-developed countries is much to blame here - the prices of agricultural products are falling worldwide, the trade capacity of developing countries is limited and the income from the sale of agricultural products is getting smaller. Developing countries do not have comparative advantage in agricultural production, which is caused by the low level of development in economy, industry and other sectors. On the other hand, the continuation of preferential treatment of developing countries (SDT), the goal of which is to prolong the adoption period of specific regulations and to decrease the scale of duty reduction, is insufficient to achieve economic growth of the countries of the South and to reap benefits from the specialization in international trade. Moreover, the increasingly developing countries are becoming net food importers. Despite the evident increase of agricultural products on international markets, a number of LDCs cannot use it for their own benefit, as they lack access to these markets. The growth of prices is caused by a greater demand for food and a shift of consumption mode in countries such as China and India, as well as by the increase of crude oil prices, which has triggered off the search for alternative sources of energy, e.g. biofuels.

Considering the prolonged deadlock in negotiations, especially with regard to agriculture, one might get the impression that developing countries are negative about the liberalization of trade. It mostly results from the necessity to account for adjustment costs on adopting the new WTO regulations. Developing countries depend to a considerable extent on the customs tariff as one of the main sources of budgetary income. In developing countries international trade payments comprise approximately 1% of the budget, whereas in the least developed countries the average index equals approximately 30%. Adjustment costs may be especially burdensome for developing countries for a number of reasons. First of all, the export-oriented industry in those countries is poorly-varied and hence it is dependent on export and international prices of one or a few products of importance for their trade. Secondly, they are exposed to large costs concerning the adjustment to multilateral trade regulations established by the WTO. Thirdly, the structure of the world trade is most significantly distorted in sectors that are of greatest interest for developing countries, namely food, agriculture, textile and clothing industries. Fourthly, developing countries are inhabited by the poorest part of the population. Their markets are poorly-developed and the possibility to get a credit is very limited. Liberalization of the sectors of greatest importance for those economies would have positive influence on the development of those countries, but it would also entail high adjustment costs.

The response of developing countries to the gradual reduction or elimination of tariff rates in certain goods channels is, however, different. Some of them, especially the members of LDCs, are afraid of the replacement of the system of preferences with the preferential access to the market, or in other words, the reduction of tariff rates on goods below the most favored nation (MFN) status. They claim that the change could negatively affect their export, reducing their preference margin. Thus, the greater the dependency of a given country on the preference system, the greater the losses, resulting from the MFN tariff rate reduction. Many sectors of economy of LDCs, might face negative consequences due to the reduction of preferences. Should multilateral liberalization of trade be delayed then in order to maintain special preferences for LDCs for as long as possible? Or perhaps introducing new support systems in those countries would be a better solution? The latter option seems to be much more beneficial for at least two reasons. Firstly, delaying the liberalization of trade would be discriminating towards those developing countries, which do not use the system of preferences to a great extent. Secondly, maintaining long-term trade preferences would force beneficiaries to undertake specializations that would never become competitive if the preferences were eliminated. Cancelling them makes diversification more difficult in industry sectors and increases adjustment costs.

What cannot be denied though is the fact that without aid, such as Aid for Trade, the least developed countries, would not be able to gain access to foreign markets. Still, as it is in the case of many WTO regulations concerning technological aid, they are only voluntary promises, which do not oblige donor countries to deliver such aid. What are, then, the most urgent “developmental” needs of developing countries? First of all, it is important to increase representation in international organizations, especially within WTO, and to provide future experts in international commercial law and WTO regulations with accurate preparation and training. Secondly, what counts is the improvement of the infrastructure necessary for adjusting export structure to the requirements and standards of the developed country markets (sanitary and health requirements, appropriate certificates), and fourthly, it is crucial to develop information system concerning potential export markets.

What needs to be borne in mind is the fact that receiving aid is not the ultimate solution to the problem and it would not cure developmental problems. Economic growth requires liberalization of trade and pro-market policy. These are developing countries that are responsible for wisely taking advantage of the aid offered both by WTO and other international institutions. It is necessary to adopt economic reforms, which would facilitate benefiting from aid offered and using it to activate home producers and exporters.

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This Publication is financed by the Ministry of Science and Higher Education and the Society of the Institute for Western Affairs.