Developing Countries and the World Trade Organization

Among multilateral agencies, the World Trade Organization (WTO) stands out in allowing equal voting rights to its members regardless of their economic size or trade weight. Thus, the value of a vote cast by a small member, say the Republic of Palau, is the same as that of its largest member, the United States (US). However, although a majority of WTO members are developing countries, power and control of the WTO has always been with the developed western countries because the WTO also enshrines the principle of decision making based on consensus. This gives any one country a potential veto, but for all practical purpose small developing countries encounter a great deal of pressure not to stand in the way of decisions reached among a small group of key states, primarily developed countries.

The one occasion when developing countries exercised their virtual veto was at the Cancun ministerial meeting of the WTO in 2003 but in the months that followed developed countries, in particular the US, exhorted them to be flexible or risk a collapse of the Doha Round. In the end, developed countries too recognized the importance of conciliation and an European Union (EU) willingness to phase out export subsidies on agricultural products, for example, made it possible for the Doha Round negotiations to recommence with the signing of the so-called July Framework Agreement in 2004.

Within the WTO, developing countries enjoy numerical superiority but without any commensurate level of influence. This is a hangover from the General Agreement on Tariffs and Trade (GATT). Indeed, if decision-making processes of GATT were equitable, developing countries might have participated more actively in its proceedings, instead of in the UN Conference on Trade and Development (UNCTAD), as was the case until recently. For example, even though 88 of the 117 countries
that participated in the Uruguay Round of GATT negotiations were developing countries, their participation was perfunctory and sporadic rather than active and sustained. And as noted earlier, outcomes of the Uruguay Round were highly unbalanced. This led Michael Finger and Julio Nogues to declare that in “mercantilist economics the North was a big winner over the South at the Uruguay Round—in real economics an even bigger winner.”\(^1\) The developing South was compelled even to agree to a new regime on trade related intellectual property (TRIPs) without fully comprehending its long-term consequences.

The Uruguay Round Agreement was unbalanced in a range of issue areas. In textiles, for instance, liberalization of trade was required in four stages on the first day of 1995, 1998, 2002, and 2005 encompassing 16 percent, 17 percent, 18 percent, and 49 percent of imports by volume against the base year of 1990. Liberalization was back ended and in the first two stages only 33 percent of textile and clothing were to be liberalized but in reality the US liberalized only 1 percent, the EU 7 percent, and Canada 14 percent. Another casualty of the Uruguay Round, for developing countries, was the principle of special and differential treatment (SDT), a concession they had struggled hard to achieve in the 1960s. All that they managed to retain was an extended transition period to implement the same universally applicable outcomes. For instance, the TRIPs agreement provided uniform protection to patent holders with flexibility only in the phase-in period. Developed countries had to implement the new requirements by 1996, developing countries by 2000, and least developed countries by 2006 (extended later to 2016).

Leaving aside implementation of the Uruguay Round agreements, it is remarkable that developing countries agreed to the lop-sided agreement of the Uruguay Round in the first place. Finger and Nogues explain this in terms of lack of knowledge and information about actual realities and consequences and to clever strategies used by developed countries. In the Tokyo Round Codes, for example, developing countries could decline the obligations without losing protection of existing GATT rules but:

The proposal to create a new organization to contain and administer the Uruguay Round agreements changed the rules of the game. The GATT/WTO heavyweights announced that as soon as the new organization existed they would withdraw from GATT. A country that voted “No” on joining the new organization would leave itself out in the cold—with neither GATT disciplines nor those of the new agreement to protect it.\(^2\)